

1 IN THE UNITED STATES DISTRICT COURT  
2 FOR THE NORTHERN DISTRICT OF GEORGIA  
3 ATLANTA DIVISION  
4  
5

ORIGINAL

6 IN RE: CIGARETTE PRICE-FIXING  
LITIGATION and related cases,  
7

8 HOLIDAY WHOLESALE GROCERY CO.,  
et al.,

9 Plaintiffs,

10  
11 PHILIP MORRIS, INC., et al.,

12 Defendants.  
13

14  
15  
16 VIDEOTAPED DEPOSITION OF LYNN BEASLEY  
(Taken by Plaintiffs)  
17 Winston-Salem, North Carolina  
June 28, 2001  
18  
19

20 Reported by: Laura P. Ream  
Court Reporter  
21 Notary Public  
22  
23  
24  
25

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8  
9  
10  
11  
12  
13 \* \* \*

14 Videotaped Deposition of LYNN BEASLEY,  
taken by the Plaintiffs, at Womble, Carlyle,  
15 Sandridge & Rice, 200 West 2nd Street, 16th Floor,  
Winston-Salem, North Carolina, on the 28th day of  
16 June, 2001, at 10:07 a.m., before Laura P. Ream,  
Court Reporter, Notary Public.

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## C O N T E N T S

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The Witness: LYNN BEASLEY Examination

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## I N D E X O F T H E E X H I B I T S

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## P R O C E E D I N G S

1  
2  
3 VIDEO TECHNICIAN: The time is 10:07. This  
4 begins Tape 1 of the deposition of Lynn Beasley  
5 being taken in the matter regarding cigarette  
6 price-fixing. The case name is Holiday Wholesale  
7 Grocery Company, and others, versus Philip Morris,  
8 and others. This is being heard in the U.S. District  
9 Court for the Northern District of Georgia, Atlanta  
10 Division, MDL Docket Number 1342, Civil Action No.  
11 1:00-CV-0447-JOF. If the taking attorney would  
12 introduce himself for the audio record.

13 MR. ASHER: Good morning. My name is  
14 Steven Asher. I'm an attorney with the firm of  
15 Barrack, Rodos & Bacine in Philadelphia,  
16 Pennsylvania. I'm one of the counsel for the class  
17 plaintiffs in this litigation.

18 VIDEO TECHNICIAN: Thank you. Other  
19 counsel present, please introduce yourselves.

20 MR. HARLEY: Craig Harley with Chitwood &  
21 Harley, for the class plaintiffs.

22 MR. FOUNTAIN: Edwin Fountain of  
23 Jones, Day, Reavis & Pogue for the witness and for  
24 defendant, R.J. Reynolds Tobacco Company.

25 MS. GALVANI: Ann Galvani with

1 Boies, Schiller & Flexner for Philip Morris, a  
2 co-defendant with R.J. Reynolds Tobacco Company.

3 MS. LOISEAU: Holly Loiseau, Weil, Gotshal  
4 & Manges for defendant, Lorillard Tobacco.

5 VIDEO TECHNICIAN: The court reporter may  
6 place the witness under oath.

7 Whereupon,

8 LYNN BEASLEY,

9 having been duly sworn,

10 was examined and testified as follows:

11 EXAMINATION BY COUNSEL FOR PLAINTIFFS

12 BY MR. ASHER:

13 Q. Good morning, Ms. Beasley.

14 A. Good morning.

15 Q. Can you state your full name for the  
16 record, please.

17 A. Lynn Joann Beasley.

18 Q. What is your home address?

19 A. [DELETED]

20

21 Q. Are you currently employed?

22 A. Yes, I am.

23 Q. By what company are you currently employed?

24 A. R.J. Reynolds Tobacco Company.

25 Q. What is your current position with that

1 company?

2 A. Executive Vice-President of Marketing.

3 Q. Did you attend college?

4 A. Yes, I did.

5 Q. What college did you attend?

6 A. The University of Wisconsin.

7 Q. Did you graduate from Wisconsin?

8 A. Yes, I did.

9 Q. And in what year?

10 A. 1982.

11 Q. What was your major at Wisconsin?

12 A. It was an M.B.A., Master's in Business

13 Administration with marketing.

14 Q. From what school did you receive your

15 Bachelor's degree?

16 A. University of Wisconsin.

17 Q. In what year did you receive your

18 Bachelor's degree?

19 A. It was either '80 or '81.

20 Q. What was your first full-time employment  
21 after receiving your M.B.A. from Wisconsin?

22 A. R.J. Reynolds Tobacco Company.

23 Q. Did you join R.J. Reynolds in 1982?

24 A. Yes, I did.

25 Q. And what was your first position with

1 R.J. Reynolds?

2 A. Marketing Assistant.

3 Q. For how long a period did you work as a  
4 Marketing Assistant?

5 A. It was probably about a year and a half.

6 Q. What was your next position with the  
7 company?

8 A. Assistant Marketing Manager.

9 Q. What were your duties as Assistant  
10 Marketing Manager?

11 A. Well, I worked on the Salem brand and -- as  
12 an Assistant Marketing Manager on the Salem brand. I  
13 worked on placing -- selecting media advertising. I  
14 worked on product development with our R&D group.  
15 There were probably other things as well, but those  
16 come to mind.

17 Q. For how long did you hold the position of  
18 Assistant Marketing Manager?

19 A. Probably about two years.

20 Q. What was your next position with the  
21 company?

22 A. Brand manager.

23 Q. For which brand?

24 A. Started as Century.

25 Q. What type of product is Century?



1           A.    It was a brand that had 25 cigarettes in a  
2   pack instead of 20.

3           Q.    When did your company begin to market the  
4   Century brand?

5           A.    Probably in the early '80s. I just don't  
6   remember the exact date.

7           Q.    Was Century targeted to a particular market  
8   in each...

9           A.    It was trying to track competitive smokers  
10   for value. We were looking for value because you got  
11   25 cigarettes for the price of 20.

12          Q.    For how long were you the Century brand  
13   manager?

14          A.    I would have go back and look exactly. I  
15   was Century brand manager and then I picked up  
16   responsibility for other value brands, like Doral and  
17   Magna and Sterling and several -- several value  
18   brands. I don't know exactly how long I was in that  
19   position.

20          Q.    Well, for how long a period did you have  
21   marketing responsibility for these various value  
22   brands?

23          A.    Isn't that what you just asked me?

24   (Laughter)

25          Q.    Well, I didn't know if you were responding

1 just to Century or not.

2 A. Oh, okay.

3 Q. Well, why don't you describe in your own  
4 words, then, how your career progressed from working  
5 with these value brands and when was the next time  
6 you received a change in assignment.

7 A. The next change in assignment was when I  
8 was made Senior Brand Manager for Camel.

9 Q. Do you recall when you became Senior Brand  
10 Manager for Camel?

11 A. It was in 1987.

12 Q. Were you based in Winston-Salem when you  
13 were Senior Brand Manager for Camel?

14 A. Yes.

15 Q. Did you work in Winston-Salem throughout  
16 your tenure at RJR?

17 A. Yes.

18 Q. How long did you remain Senior Brand  
19 Manager for Camel?

20 A. You know, probably approximately a year and  
21 a half, a year or something like that.

22 Q. What was your next position with the  
23 company?

24 A. Director of Special Markets.

25 Q. What were your duties in that position?

1           A.    Evaluating marketing programs for special  
2   markets, developing and evaluating.

3           Q.    What markets at RJR are considered special  
4   markets?

5           A.    At that point in time, the markets I was  
6   focused on would have been military, Hispanic, and  
7   African American.

8           Q.    During what years did you serve as Director  
9   of Special Markets?

10          A.    It was probably partly '88 and '89, around  
11   that time frame.

12          Q.    What was your next position with the  
13   company?

14          A.    Vice-President of the Winston Business  
15   Unit.

16          Q.    What was the Winston Business Unit?

17          A.    It was the marketing group for the Winston  
18   brand.

19          Q.    How long did you serve as VP of the Winston  
20   Business Unit?

21          A.    I don't remember exactly. It was probably  
22   for, I don't know, a year and a half, two years,  
23   something like that.

24          Q.    What was your next position with the  
25   company?

1 A. Then I was -- I think it was Senior  
2 Vice-President of Winston and Camel Business Units.

3 Q. Were these separate business units or one  
4 business unit?

5 A. I don't know how to answer that.

6 Q. Okay. Well, was there a separate Winston  
7 Business Unit?

8 A. There was a marketing group for Winston and  
9 then there was a marketing group for Camel. But the  
10 organization changed over time. And while I had it,  
11 sometimes there were people who worked on both brands  
12 who reported to me and some only worked on one of the  
13 brands who reported to me.

14 Q. Okay.

15 A. And that evolved over time.

16 Q. Okay. During what years did you serve as  
17 Senior VP of Winston and Camel Business Units?

18 A. Again, it would have been for several  
19 years. I'd have to go back and look to tell you  
20 exactly.

21 Q. Was it in the late '80s or early '90s?

22 A. No, no, we're in the '90s now.

23 Q. Okay. Do you think it was in the early  
24 '90s that you held these positions?

25 A. Yes. It probably was around '93, '94, '95.

1 Q. To whom did you report as Senior VP of the  
2 Winston and Camel Business Units?

3 A. I believe when I had that position, it was  
4 Jim Schroer, or it could have been Dave Iauco, let me  
5 think. The organization changed over time. It would  
6 probably, for part of the time, been Dave Iauco, for  
7 part of the time Jim Schroer, and for part of the  
8 time, going earlier, it could have also been  
9 Peter Holt.

10 Q. Can you spell Mr. Schroer's last name?

11 A. You know, I don't remember exactly how to  
12 spell it, sorry. I'm sure we can find it for you.

13 Q. And can you spell Mr. Iauco's last name?

14 A. I-a-u-c-o.

15 Q. You said that at one time or another you  
16 reported either to Mr. Schroer, Mr. Iauco, or  
17 Mr. Holt; is that correct?

18 A. That's correct.

19 Q. Okay. And was that sort of in  
20 chronological sequence, that is, first one person,  
21 then another, then another, or did you report to some  
22 of them at the same time?

23 A. Not at the -- you know, two people at the  
24 same time; is that what you're asking?

25 Q. Yes.

1           A.    No, I didn't report to two people at the  
2   same time. I reported to Dave Iauco for a period of  
3   time. And actually Dave may have, at the time, been  
4   reporting to Peter. I'm not really sure I ever  
5   reported directly to Peter. But I did report  
6   directly to Dave Iauco and I reported directly to  
7   Jim Schroer.

8           Q.    So first you reported to Mr. Iauco and then  
9   to Mr. Schroer?

10          A.    Yes.

11          Q.    What was Mr. Iauco's position when you  
12   reported to him?

13          A.    He was -- I don't remember his exact title,  
14   but he would have been like Senior Vice-President  
15   over brand management, I think they called it then.

16          Q.    And when you reported to Mr. Schroer, what  
17   was his position?

18          A.    He was Executive Vice-President of  
19   Marketing and Sales.

20          Q.    What were your duties as Senior  
21   Vice-President of the Winston and Camel Business  
22   Units?

23          A.    I was responsible for all of the marketing  
24   programs we did on the brands, you know, promotions,  
25   advertising, packaging changes, product changes, you

1 know, line extensions, pretty much all the activity  
2 for those brands.

3 Q. In describing your duties just a second  
4 ago, you mentioned promotions as one of the things  
5 that you were responsible for; is that correct?

6 A. That's correct.

7 Q. And by promotions, what specifically do you  
8 mean?

9 A. Well, there are all kinds of different  
10 promotions. There are like sweepstakes kinds  
11 of promotions, there are free-standing insert  
12 promotions, there are direct mailing couponing  
13 promotions, there are promotions in-store.  
14 They can be buy-downs, you can have some  
15 buy-some-get-some-frees, you could have premium  
16 promotions, you could have event promotions. There's  
17 just many, many different kinds of promotions.

18 Q. And how would you determine which  
19 promotions to implement at any given time?

20 A. Well, at any given time you're looking at  
21 what are your objectives, what are you trying to  
22 achieve, what do you have going on, all of those  
23 things, you know.

24 Q. Were all these promotions geared towards  
25 consumers or to your company's wholesale customers?

1 A. No. When I was talking about promotions,  
2 that would have been consumer promotions.

3 Q. Did your company have any promotions that  
4 were geared to its wholesaler distributor customers?

5 A. Well, there's wholesale -- we've had  
6 wholesaler programs. I'm not responsible for those.  
7 I haven't ever been responsible for those, but our  
8 company has wholesaler programs.

9 Q. Okay. And what persons or what positions  
10 at your company were responsible for your wholesaler  
11 programs?

12 A. It would have been whoever was the head of  
13 sales and then whoever they had reporting to them in  
14 sales, who at the time was in charge of it.

15 Q. What persons would you work with to design  
16 and implement various promotions for the cigarettes  
17 that you were responsible for in your capacity as  
18 Senior VP of Winston and Camel?

19 A. Well, you'd work with agencies who helped  
20 developed the ideas in Creative. You'd work with  
21 internal people who are helping execute it. If it's  
22 a retail promotion, internal salespeople. You know,  
23 wide variety.

24 Q. You said that another one of your duties  
25 was advertising. What were your advertising duties



1 with respect to the Winston and Camel brands?

2 A. Developing the advertising and running the  
3 advertising for the brands.

4 Q. Did your company do it in-house or did you  
5 work through agencies?

6 A. We worked through agencies.

7 Q. Did you have in-house people that were  
8 responsible for advertising or designing advertising  
9 programs?

10 A. Well, it was part of the -- our marketing  
11 group was responsible for all the marketing on the  
12 brands. But we worked with outside advertising  
13 agencies to actually develop the advertising.

14 Q. Okay. You said the packaging was another  
15 area of your responsibility; is that correct?

16 A. That's correct.

17 Q. And what were your duties and  
18 responsibilities with respect to packaging?

19 A. Well, did we want to make any packaging  
20 changes, any design changes, or changes to the actual  
21 pack itself.

22 Q. Okay. Another area that you described was  
23 product changes. And what did you mean by "product  
24 changes"?

25 A. Do we want to make a product change to make

1 it -- the product perform better versus our current  
2 smokers or competitive smokers, you know, any changes  
3 to the taste of it, the blend we used, do we want to  
4 improve it.

5 Q. Okay. You said that another area of your  
6 responsibility was line extension. What did you mean  
7 by the term "line extension"?

8 A. That means like in this category, like you  
9 have a brand like, let's say, Winston. And under the  
10 Winston name there are many styles of Winston.  
11 There's Full Flavor 100s, there's Full Flavors 85s,  
12 there's Lights 100s, there's Lights 85s, there's  
13 Ultra Lights, there's Box, there's Soft Pack. So  
14 when you bring out a new style within that brand,  
15 it's called a line extension.

16 Q. Okay. I see. Other than these categories,  
17 were there other areas of responsibility that you  
18 recall having in your capacity as Senior VP of  
19 Winston and Camel?

20 A. Well, sure, you know, working on, you know,  
21 what are we going to spend, what share objective do  
22 we think we can meet, what volume do we think we're  
23 going to ship, that sort of business stuff.

24 Q. With respect to market share, was it one of  
25 your goals to increase the market share of your

1 products?

2 A. It would depend on what year you're talking  
3 about and each individual brand. Each year each  
4 individual brand has a market share objective.

5 Q. And how was the market share objective  
6 determined each year?

7 A. It's part of our whole planning process.  
8 We talk about, you know, what we're going to do with  
9 the brand that year, what we're going to achieve and  
10 look at, what we think the objective should be, and,  
11 of course, management would be involved and we debate  
12 it and discuss it and reach a consensus on what we  
13 thought the objective should be.

14 Q. Was it generally your objective from year  
15 to year to increase the market share of the brands  
16 under your responsibility or to maintain the market  
17 share that you already had?

18 A. Again, it would depend on the year and the  
19 brand, what the objective was for each brand for each  
20 year.

21 Q. Uh-huh. And maybe you can just give me an  
22 example. But would there be years in which you would  
23 not have the objective of growing the market share  
24 for a brand?

25 A. For an individual brand, yes.

1 Q. And why would it be that for a given year  
2 you may have an objective of not growing the market  
3 share, but perhaps maintaining the existing market  
4 share?

5 A. It depends upon what you have going on in  
6 the brand. So like, for example, on the Winston  
7 brand, we're getting ready to relaunch a big  
8 repositioning of it, a whole new marketing program  
9 behind it. And we know that before we have that, we  
10 aren't going to be able to turn its share around  
11 because it's declining. So realistically we know  
12 that year we're not going to be able to grow it, but  
13 we're working on something coming that we hope will  
14 grow it in the future. You see the...

15 Q. I'm sorry, was there --

16 A. That was it. I'm not just checking to see  
17 if that...

18 Q. Was there some type of report that your  
19 department, and I'm focusing, again, on the years  
20 when you were with Winston and Camel, generated once  
21 a year or more than once a year which would describe  
22 its marketing objectives for the forthcoming year?

23 A. We have an annual plan. Is that what you  
24 mean?

25 Q. Yes. Okay.

1 A. Uh-huh.

2 Q. And when would the annual plan be adopted  
3 or -- let me ask it this way. When would the annual  
4 plan be written?

5 A. I would say norm -- and in what time  
6 period, for like forever or...?

7 Q. I'm talking about -- you said that you  
8 served as Senior VP of Winston and Camel sometime  
9 during the period between '93 and '95?

10 A. Uh-huh.

11 Q. So I'm actually focusing on that period of  
12 time.

13 A. Okay.

14 Q. My questions are focused on that period.

15 A. Okay. I'm just trying to recall back then  
16 what the exact time frame would have been.

17 Q. Sure.

18 A. But I would say roughly we would start the  
19 planning process in about July for the next year and  
20 it'd actually be finalized by November.

21 Q. And when you say, "the next year," were you  
22 talking about calendar years?

23 A. I was. I was talking about calendar years.

24 Q. Okay. So you'd start in July and by, I  
25 think you said, November you'd pretty much have that

1 plan finished; is that right?

2 A. That's right.

3 Q. Okay. And the plan was -- that you talked  
4 about, was that a plan just for the Winston-Camel  
5 brands or was it a general marketing plan for the  
6 company?

7 A. Well, when I was responsible for Winston  
8 and Camel, I would have been working on the Winston  
9 and Camel piece, but every brand would have had an  
10 annual plan.

11 Q. So each brand would prepare a plan for the  
12 coming year; is that correct?

13 A. That's correct.

14 Q. Okay. So there would be a Winston plan and  
15 a Camel plan and Salem plan and all the other brands  
16 would have their own plans as well; is that correct?

17 A. That's correct.

18 Q. Would the plans make some projection with  
19 respect to market share?

20 A. Yes.

21 Q. Would that be a specific section of the  
22 report?

23 A. Well, I have to say that every year the  
24 format changed.

25 Q. Okay.

1           A.    So, I mean, when you say a specific  
2    section, I don't know how to answer that.

3           Q.    Okay. Would the plans make any projections  
4    with respect to the price of the product that your  
5    company would charge its customers?

6           A.    At the company level, it did. In our  
7    individual plans, it wouldn't. Like in my Winston  
8    and Camel plan, I wouldn't have had that in there,  
9    but for the overall company, it would have. And  
10   that -- those assumptions would have been rolled into  
11   the roll-up numbers.

12          Q.    If we can just break that out. You would  
13   prepare, for example, your Winston plan by November;  
14   is that right?

15          A.    Yes.

16          Q.    And you would submit it to what person or  
17   persons in the company?

18          A.    Well, that's not really how it worked, when  
19   you say, "submit". All along the way from July  
20   forward, you're working on it together and there  
21   would be reviews with your boss and then maybe the  
22   next boss and it would take until November to get it  
23   finalized by everyone.

24          Q.    Okay. And in the interim, between July and  
25   November, people, say, higher up in the company,

1 would have drafts of your report; is that right?

2 A. Yeah, drafts of -- yeah, you know, the plan  
3 in progress, what we're thinking, what we're trying  
4 to do.

5 Q. Now, what report was it within the company  
6 which would have some discussion or projection  
7 regarding price?

8 A. Well, the forecasting group. We have a  
9 separate forecasting group who looks at what do they  
10 think industry volume will be. So they're projecting  
11 industry volume into the future, they're projecting  
12 what they think our volume will be into the future,  
13 what we think the pricing increases will be in the  
14 future, et cetera.

15 Q. Okay. Was the name of this group the  
16 forecasting group; is that how it was referred to  
17 within the company?

18 A. Well, I'm using that as shorthand because  
19 the name of the group has changed over time. But  
20 there always has been a forecasting group.

21 Q. And within what department of the company  
22 do they work? If you could just sort of explain  
23 within the corporate structure where the forecasting  
24 group fits.

25 A. In marketing. Like there's marketing --



1 there's a marketing group for each brand, and then  
2 there's marketing groups that are focused on  
3 implementing things, and then there's a marketing  
4 group that's -- over the time it's changed.

5 Sometimes it was part of what's called marketing  
6 research, some of the time it was its own separate  
7 business analysis group. So at some -- during  
8 this -- the last ten years, sometimes it's been part  
9 of marketing research, this forecasting group,  
10 sometimes it's been a group all by itself like a  
11 business analysis in forecasting group.

12 Q. Was it always within the marketing  
13 department of the company, though?

14 A. I would say so. I can't really remember  
15 when it... You know, it's possible, way back when it  
16 wasn't. I mean, for, I would say, I think the last  
17 ten years, I would say it has been.

18 Q. Okay. So, as you understood it, during  
19 this July to November period, when you, as a sort of  
20 brand manager for Winston and Camel, were generating  
21 your marketing plans for the following year, as far  
22 as you knew, the forecasting group was doing its work  
23 and it would make projections regarding volume and  
24 price; is that right?

25 A. Yeah. And with management involved, and I

1 mean...

2 Q. And do you recall what person or persons  
3 headed up this forecasting group during the 1990s?

4 A. I believe I would say -- during the whole  
5 1990s?

6 Q. Yes.

7 A. Is that what you're saying? I would say --  
8 and by the head of the forecasting, are you talking  
9 about just the forecasting group, not all of  
10 marketing research?

11 Q. Right, the forecasting group.

12 A. Okay. I would say Jerry Moore, I believe  
13 Penny Cohen, and Scott Keith.

14 Q. Jerry Moore, what was the second name?  
15 Jerry Moore, and what was the other name?

16 A. Penny Cohen.

17 Q. Penny Cohen, and the other person?

18 A. Scott Keith.

19 Q. Now, did the company as a whole, as far as  
20 you know, generate its own sort of master report or  
21 master plan for the following year? That is, was  
22 your brand plan that you were generating for this  
23 line in November, was that part of a larger  
24 company-wide report that would be prepared?

25 A. I think so.

1 Q. And was that -- do you know what that was  
2 referred to as?

3 A. You know, you're going back to '93 and  
4 '95. What they exactly called it then, I don't  
5 know. It's probably something like the annual plan  
6 and the strategic plan.

7 Q. Okay.

8 A. But I don't know exactly back then.

9 Q. Did you ever hear the term operating plan?

10 A. Oh, sure, yeah.

11 Q. Is that --

12 A. Operating plan, annual plan.

13 Q. Were you a recipient of the strategic plan  
14 for the operating plan each year?

15 A. Well, I certainly am now.

16 Q. Okay.

17 A. (Laughter)

18 Q. But in the '93 to '95 period, did you  
19 receive a copy then?

20 A. I don't really remember.

21 Q. Okay. Now, we've talked about the work you  
22 did with Winston and Camel between approximately '93  
23 and '95. What was your next position with the  
24 company?

25 A. I then became Senior Vice-President of all

1 the full-priced brands, Winston, Camel, Salem,  
2 Vantage, More, and Now.

3 Q. How long did you hold that position?

4 A. For a while. Then at the end of '97 I  
5 became Executive Vice-President of all of marketing.

6 Q. Your position as Senior VP of the  
7 full-priced brands, was that during the '95 to '97  
8 period; does that sound right?

9 A. Probably. I mean, I'd have to go back and  
10 look at these exact dates to tell you exactly.

11 Q. As Senior VP for the full-priced brands, to  
12 what person or persons did you report?

13 A. I reported to... I'm trying to remember if  
14 Jim Schroer was still there. I don't remember. It  
15 could have been Jim Schroer, Ove Sorenson, and  
16 Andy Shindler.

17 Q. Mr. Schroer was head of marketing at that  
18 time?

19 A. He was exec -- again, I can't remember what  
20 year he left. He was Executive Vice-President of  
21 Marketing and Sales. And I don't remember exactly  
22 what year he left, but I reported to him for a period  
23 of time.

24 Q. Okay. The next -- you said Mr. Sorenson,  
25 is that the next person?

1           A.    Yeah.  But I think that's not how it really  
2   went.  If I recall, Jim left, Schroer, and then I  
3   reported directly to Andy Schindler for a while, and  
4   then he hired Ove Sorenson and I reported to him, and  
5   then Ove left and I reported to Andy again.

6           Q.    When you reported directly to  
7   Mr. Schindler, what was his position at that time;  
8   was he president of the company?

9           A.    Yes.

10          Q.    And when Mr. Sorenson came in, what was his  
11   position?

12          A.    Let me think... I know he was Executive  
13   Vice-President of Marketing.  I was just trying to  
14   remember if -- yeah, he was Executive Vice-President  
15   of Marketing.

16          Q.    Was he brought in from outside the company?

17          A.    Yes.

18          Q.    And do you know how long he served as  
19   Executive Vice-President of Marketing?

20          A.    I think it was approximately a little less  
21   than a year and a half.

22          Q.    Do you know what company he came from?

23          A.    I think it was a liquor company.  I can't  
24   remember which one, or I think maybe he wasn't  
25   working for them when he joined us.  But that would

1 have been his last job.

2 Q. After serving as -- for approximately the  
3 year and a half as Executive VP of Marketing at  
4 R.J. Reynolds, do you know what Mr. Sorenson did  
5 after that?

6 A. What he's done since he left our company?

7 Q. Well, let me ask you this. After he  
8 finished his one-and-a-half-year approximate tenure  
9 as V-- Executive VP of Marketing, did he go on to  
10 another position at RJR or did he leave the company?

11 A. He left the company.

12 Q. So as far as you know, his entire tenure  
13 with R.J. Reynolds was approximately a year and a  
14 half; is that right?

15 A. Yes, that's right.

16 Q. Okay. And -- so do you know where he went  
17 when he left R.J. Reynolds?

18 A. No, I don't know where he is.

19 Q. Do you know why his tenure was relatively  
20 short with the company?

21 A. I wasn't involved in the discussions. My  
22 understanding is Andy wasn't, you know, happy with  
23 the -- with his performance.

24 Q. Now, in 1997, you became Executive  
25 Vice-President of Marketing; is that correct?

1 A. Yes, towards the end of '97. I think it  
2 was about November.

3 Q. And in that capacity, did you head up the  
4 company's entire marketing effort for cigarettes?

5 A. Yes.

6 Q. Was it only cigarettes that you had  
7 responsibility for? I assume that was the only  
8 product the company made.

9 A. That's all we had. That's right.

10 (Laughter)

11 Q. Okay. Did you report to Mr. Schindler  
12 directly as Executive VP of Marketing?

13 A. Yes.

14 Q. And that's the same position that you hold  
15 today, is that right?

16 A. That's correct.

17 Q. Okay. Did you have any reporting  
18 responsibility other than to Mr. Schindler? In other  
19 words, do you report to anyone else within the  
20 company?

21 A. You mean since I've been Executive  
22 Vice-President Marketing?

23 Q. Yes.

24 A. No.

25 Q. And in that position, what persons have

1 reported directly to you?

2 A. Since I've been in the position?

3 Q. Yes.

4 A. Okay. Well, let's start with now.

5 Q. Okay.

6 A. Ned Leary reports to me, who is  
7 Vice-President of the Winston Business Unit;  
8 Rhonda Plummer reports to me, who is Vice-President  
9 of the Salem Business Unit; Fran Creighton, who is  
10 Vice-President of the Camel Business Unit;  
11 Doug Shouse, who is Vice-President of our Savings  
12 Brands Business Unit; John Scaritt, who is  
13 accountable for our Puerto Rico business and U.S.  
14 territories; Dave Iauco, who is responsible for  
15 marketing research and the development of new product  
16 technologies; Rick Sanders, who's responsible for  
17 marketing operations; and Scott Keith, who is  
18 responsible for Business Information and Analysis;  
19 and of course my assistant, my secretary.

20 Q. Can you describe what Scott Keith's  
21 specific duties are as head of Business Information  
22 and Analysis?

23 A. Yes. He is -- he's our forecasting group  
24 in terms of forecasting volume and share. He also is  
25 involved in analysis in that he's accountable for our



1 share of market, MARLIN's share of market tracking  
2 system, and analysis of that data.

3 Q. Do you meet from time to time with the  
4 persons that report directly to you?

5 A. Yes, I do.

6 Q. How frequently do you meet with these  
7 people as a group?

8 A. Oh, as -- everyone together?

9 A. Yes.

10 I would say once a month.

11 Q. Is that more or less on a regular schedule,  
12 these monthly meetings of the marketing group?

13 A. Just the people who report to me --

14 A. Yes.

15 A. -- that's what you were talking about,  
16 right, as a group?

17 Q. Yes.

18 A. Yes.

19 Q. Okay. And I take it more frequently you  
20 meet with these people either individually or in  
21 smaller groups; is that right?

22 A. That's right.

23 Q. A monthly meeting, is that generally held  
24 at a certain time or a date within the month?

25 A. Yes.

1 Q. And approximately when is that meeting  
2 held?

3 A. It's, I think, usually the third Monday of  
4 the month, I'd say. I think that's right.

5 Q. And then from your description, I take it  
6 about somewhere between seven and ten people attend  
7 that meeting; does that sound right?

8 A. Oh, other than people attend other than my  
9 direct reports, depending on what we're covering, you  
10 know, other people who report to them.

11 Q. People who report to them who may have  
12 specific responsibility for a subject which you plan  
13 to cover in the meeting; is that right?

14 A. Right. Or maybe their boss can't make it  
15 so they send the people who report to them. So, I  
16 mean, it can vary. Who's there it varies.

17 Q. Do you or does someone else prepare agendas  
18 for these meetings?

19 A. Scott helps me with it, he and I prepare  
20 the agenda.

21 Q. Is that Scott Keith?

22 A. Yes.

23 Q. Is the agenda given out in advance of the  
24 meeting or at the time of the meeting?

25 A. Well, in advance of the meeting we kind of

1 send a note out to everybody saying, is there  
2 anything you'd like to cover at the meeting. And  
3 Scott gets their input, and then he sits down with  
4 me, and we go over what people suggested they cover.  
5 And then I decide what we want to cover. And I don't  
6 know if he sends that agenda back out before the  
7 meeting or not. I'm not really sure.

8 Q. The notification process and the responses  
9 to notification about subject matter, is that done by  
10 E-mail or by paper?

11 A. I don't know. You'd have to ask Scott.  
12 He's doing it.

13 Q. Well, I mean, do you see the notices that  
14 go out advising people of the meetings?

15 A. No -- well, I don't know, I might. It's  
16 possible. But he's sending the notice out to  
17 other -- it's on their calendars. It's not like a  
18 notice has to go out on the meeting; it's on their  
19 calendars. He sends out a note saying, what do you  
20 want to cover in the meeting. And does he do that by  
21 paper or E-mail, I don't know.

22 Q. Okay. When you say, "on their calendars,"  
23 what do you mean by that? How does it get on their  
24 calendars?

25 A. Their secretary puts it on their calendar.

1 Q. Okay. When you say on their calendar, is  
2 that a -- the individual -- is this a computer  
3 calendar or sort of the paper and handwritten  
4 calendars that people have --

5 A. Computer calendar.

6 Q. And everyone in the company has a computer  
7 calendar; is that right?

8 A. No.

9 Q. Who has computer calendars within the  
10 company?

11 A. I couldn't tell you who does and who  
12 doesn't. I'm pretty sure there's some people that  
13 don't. I know there are a lot of people who do.

14 Q. People in the upper management levels tend  
15 to have these computer calendars; isn't that right?

16 A. I don't -- I haven't checked with them to  
17 see if each of them does or not.

18 Q. Okay. You have one, right?

19 A. I have one.

20 Q. And if you want to access that calendar,  
21 you go into your computer and you click onto your  
22 calendar and you can see what your calendar is; is  
23 that correct?

24 A. That's -- yes, that's correct.

25 Q. And what persons can put in schedules on

1 your calendar? That is, if you're being scheduled  
2 for a meeting a week from now, who would actually  
3 have that typed in or programmed into your calendar?

4 A. You're really getting into what my  
5 assistant does, so I'm not positive. But I think  
6 what happens is anybody can put a meeting on the  
7 calendar, if you don't already have one there, and  
8 then I think she has to accept it, I think. But  
9 you're really asking what her job is, not mine, and  
10 so I don't know.

11 Q. Okay.

12 A. She handles my calendar.

13 Q. So what you see, though, is you get our  
14 screen and you see what you're doing on a particular  
15 day and that tells you what you're doing; is that  
16 right?

17 A. That's right.

18 Q. Okay. And do you know if you have the  
19 capacity to see other people's business calendars,  
20 that is, can you get on your computer and type in  
21 Scott Keith and see if he's busy a week from Tuesday?

22 A. I think it has that capability. I don't  
23 know how to do it. I've never done it, but I think  
24 it does have that capability.

25 Q. Okay. And -- okay. So the -- when the

1 meeting of your marketing group is set, perhaps your  
2 assistant will sort of put it on the calendars of all  
3 the participants and then they can -- or their  
4 assistants can either accept it or not accept it; is  
5 that right?

6 A. Well, if they worked for me and I set up  
7 the meeting, I imagine they'd accept it. (Laughter)

8 Q. Okay.

9 A. Or if they couldn't be there, they would  
10 let me know and they would send someone else.

11 Q. Right. Well, then --

12 A. You know, and we'd agree. They'd say, hey,  
13 I'm not -- and this happens, you know, hey, I can't  
14 make it, I'm not going to be there, is it okay if I  
15 send so-and-so, yeah, that's fine.

16 Q. Okay. Do you know how long, if you know,  
17 you may not know, the computer sort of keeps people's  
18 back calendars? That is, would your calendar for,  
19 say, July of 1998 still be on the computer, or has  
20 that all disappeared?

21 A. I have -- I don't know.

22 Q. Okay. Did you ever have occasion to sort  
23 of be curious to find out what you were doing, you  
24 know, four months -- you know, on a particular day  
25 three months ago and look it up on your calendar to

1 see if it's still there?

2 A. No, I never have.

3 Q. Do you know if it has the ability at all to  
4 go backwards? That is, can you -- do you have the  
5 capability at all to find out what your computer said  
6 a week ago, or two weeks ago, or a year ago?

7 A. I don't know.

8 Q. We were talking about the agendas for the  
9 monthly meetings. And did you -- you said that a  
10 notice would go out of the meeting for the meeting  
11 with an invitation to submit topics and you and  
12 Scott Keith would review what people suggested for  
13 topics, and then you would create an agenda from  
14 that, is that correct?

15 A. Yeah, essentially. He sends out a note to  
16 people saying, what subjects do you want to cover in  
17 the meeting, he gets the input back, and then he  
18 comes and reviews the input with me and we sort of  
19 create an agenda.

20 Q. And the agenda that's created, is that a  
21 sort of paper agenda which was --

22 A. Yes.

23 Q. -- which would be sent out to the  
24 participants?

25 A. Well, I don't know if it's in advance or

1 not. When we get to the meeting, it's there.

2 Q. As far as you know, does anyone take notes  
3 of the meeting for the purpose of creating minutes or  
4 a summary of the meeting?

5 A. No.

6 Q. Do you know if there's any place within the  
7 company in which the agendas of the meetings are  
8 filed or stored?

9 A. Well, sure. I mean, you know, we have our  
10 document retention. So if he creates the agenda,  
11 then it's going to be part of the overall document  
12 retention. If you mean like in one place all  
13 together, I don't think so.

14 Q. Okay.

15 A. Unless he does it. I don't know.

16 Q. But, as far as you know, Mr. Keith would  
17 keep copies of the agendas; is that right?

18 A. Yes.

19 Q. Does Mr. Keith still hold that position as  
20 head of Business Information and Analysis?

21 A. Yes.

22 Q. As part of Mr. Keith's duties, does he  
23 endeavor, as far as you know, to obtain information  
24 about possible industry price increases?

25 A. No. We're not trying to -- I mean, no.



1 There's -- I don't know what he would do. We sit  
2 down and we work on what we think the price increases  
3 will be for the year and what, for our business  
4 purposes, we think we would need to have as price  
5 increases for the year.

6 Q. That's you and Mr. Keith do that?

7 A. Well, sure, but it's not just Scott and I.  
8 There are other people involved.

9 Q. Okay. And who else is involved in that  
10 process?

11 A. In that planning and forecasting process?

12 Q. Yes.

13 A. Oh, there would be -- I'm sure he'd  
14 probably have some of his people involved, but in  
15 terms of our meetings, it's usually Ken Lapjeko, our  
16 CFO; and Andy Schindler; and myself. And we -- Jim's  
17 not in all of the meetings, but Jim McGuire, head of  
18 sales, is in some of them. And then sometimes in  
19 the meetings we have Tom Adams, who works for  
20 Ken Lapjeko. And that's kind of the core group.

21 Q. Okay. Well, let's put that group aside for  
22 a second, that is, the group with Mr. -- the group  
23 that reports to Mr. Schindler. With respect to  
24 yourself and Scott Keith, do you and Mr. Keith, or  
25 other people in his forecasting group, ever have

1 meetings to talk about what you think the price  
2 increases should be or might be for the following  
3 year?

4 A. Yes. We -- we do -- yes, we have  
5 discussions about what we think we need in terms of  
6 pricing and what we think competitors might do.

7 Q. Okay. And just to be clear, to go over  
8 that point, you have a group that meets with  
9 Mr. Schindler to talk about price increases; is that  
10 correct?

11 A. I don't know what you're talking about.

12 Q. All right. You said that from time to  
13 time you meet with Mr. Schindler, Mr. Lapjeko,  
14 Mr. McGuire, and that group will talk about where  
15 pricing should go; is that correct?

16 A. Well -- okay. I don't think we've been  
17 clear here.

18 Q. Okay.

19 A. (Laughter) We -- Scott and I and Ken and  
20 sometimes Tom Adams, we'll sit down and we'll work  
21 through and we'll debate where we think it ought to  
22 be. And sometimes we include McGuire, Jim McGuire,  
23 in those meetings, but he's not always in those  
24 meetings. But when we get to sort of a point of what  
25 we think, then we sit down with Andy, as a group, and

1 we talk to him about where it is.

2 Q. That's fine. So let's talk about your  
3 discussions before you get to meeting with  
4 Mr. Schindler, that is, your conversations with  
5 Scott Keith and whoever else you bring --

6 A. Uh-huh.

7 Q. -- into that group. And at -- is there a  
8 particular point in the year when you talk about  
9 where you should be going with pricing?

10 A. Well, it's ongoing. But, of course, you're  
11 looking at it when you're doing the annual plan, the  
12 operating kind of plan. But it's on an ongoing  
13 basis. You know, things change as the years go -- as  
14 the year goes on. So it's ongoing. It's not like  
15 there's only one point in time; it's an ongoing  
16 process.

17 Q. So at various points during the year,  
18 you'll have discussions with Mr. Keith and others  
19 regarding pricing; is that right?

20 A. Yes.

21 Q. And are there any particular events or  
22 occurrences within the year which precipitate your  
23 discussions with Mr. Keith and others regarding  
24 pricing?

25 A. Well, if there's just been a price

1 increase. And it almost never is what we thought it  
2 was going to be. So then we sit down and think where  
3 we think the rest of the year is going to be now.  
4 So, I mean, because we're always guessing what we  
5 think it's going to be. So, yes, that occurrence  
6 would -- after there's one announced, then, okay,  
7 it's different than what we thought it was going to  
8 be.

9 Q. Uh-huh.

10 A. So now let's re-think where we are for the  
11 rest of the year.

12 Q. Okay. When you say one price increase  
13 announced, do you mean announced by another company?

14 A. Yes.

15 Q. Like Philip Morris?

16 A. Yes.

17 Q. Is it usually Philip Morris that initiates  
18 price increases?

19 A. Yes.

20 MS. GALVANI: Objection to form.

21 THE WITNESS: Yes.

22 BY MR. ASHER:

23 Q. Okay. And when they announce the price  
24 increase, RJR follows; is that right?

25 MR. FOUNTAIN: Do you want to clarify? Are

1 we still talking as Executive Vice-President, sort of  
2 '97 forward?

3 MR. ASHER: Yes.

4 MR. FOUNTAIN: I don't know if you want to  
5 break it down.

6 MR. ASHER: Yes.

7 THE WITNESS: '97 forward?

8 MR. ASHER: Yes.

9 THE WITNESS: Well, if a competitor  
10 announces a price increase, then we get together and  
11 convene and decide what we want to do based on what  
12 we thought and what we needed and all of our business  
13 reasons, and we convene and decide if that makes  
14 sense. And if it does, we go ahead.

15 BY MR. ASHER:

16 Q. Uh-huh. And from '97 forward, have you  
17 ever not followed a competitor's price increase to  
18 the exact amount of that competitor's price increase?

19 A. '97 forward... Well, you know, I think it  
20 was in '97 we led a price increase. And then Philip  
21 Morris, I think, changed it and then we went to what  
22 they were. And then after that one, I think all of  
23 them after that Philip Morris has led.

24 Q. Okay.

25 A. I believe -- you know, I'd have to go back

1 and look exactly, but I believe we followed them all.

2 Q. When you say follow, you followed for the  
3 same amount; is that right?

4 A. Uh-huh. Yes.

5 MR. FOUNTAIN: Mr. Asher, have we come to a  
6 convenient time for a break?

7 MR. ASHER: Yeah, I think this is a good  
8 time.

9 MR. FOUNTAIN: Okay.

10 VIDEO TECHNICIAN: We're off the record at  
11 11:06.

12 (Off the record.)

13 VIDEO TECHNICIAN: We're back on the record  
14 at 11:21.

15 BY MR. ASHER:

16 Q. Ms. Beasley, before we broke, we were  
17 talking about price change or price increase  
18 discussions within the marketing department, and I'd  
19 like to go back over that. You said that from time  
20 to time you would meet with Mr. Keith and others to  
21 talk about price changes for your company's  
22 cigarettes; is that correct?

23 A. Yes.

24 Q. Okay. And you said that these discussions,  
25 on some occasions, would be prompted by price

1 announcements by other companies; is that correct?

2 A. Well, no. The question you asked me was  
3 when do you reevaluate, are there any incidents that  
4 cause you to reevaluate. And that's one of them.  
5 That's what you had asked me.

6 The discussions with Scott are -- were  
7 planning for the year or updating the plan. And so  
8 we're looking at what our costs are and what our  
9 objectives are and what we think might happen on  
10 pricing and what we would like to happen. That's  
11 kind of the discussion with Scott.

12 Q. So your discussions with Scott were general  
13 discussions as to what you thought would happen and  
14 what you would like to happen with respect to  
15 cigarette pricing during the coming year; is that  
16 right?

17 A. During the coming year and then continuous  
18 updating during the year.

19 Q. Okay. And then separate from those  
20 discussions, you would have discussions as to how to  
21 react to particular price increase announcements; is  
22 that right?

23 A. Well, yes. If a price increase is  
24 announced by a competitor, then Andy and Ken and I  
25 and Jim will get together and discuss whether we

1 should follow or not.

2 Q. Okay. So let me talk about, if I can -- or  
3 ask you about the discussions you had with Scott.

4 A. (Witness nods head in the affirmative.)

5 Q. And how frequently or on what schedule or  
6 what would occasion those sort of longer-term price  
7 discussions?

8 A. Well, obviously when we're doing the  
9 operating plan for the year, that's a point in time  
10 when you do it. And then as we update the plan  
11 during the year, we update the plan in terms of, you  
12 know, our projections on share and volume and pricing  
13 and where they are. And we sort of get together and  
14 decide when we think an update needs to be done.

15 Q. What factors would you and Mr. Keith take  
16 into account in determining where you thought prices  
17 would go in the either near-term or long-term future?

18 A. It's not just he and I. Obviously there's  
19 other people like Ken and Tom that I talked about as  
20 well, but what we think about is --

21 Q. And, excuse me, just to be clear, Ken  
22 refers to who?

23 A. Ken Lapjeko.

24 Q. Okay. And Tom would be who?

25 A. Tom Adams.



1 Q. And what was Mr. Adams' position?

2 A. He works for Ken Lapjeko.

3 Q. They're both financial people, right?

4 A. Yes.

5 Q. Okay. I'm sorry, I didn't mean to  
6 interrupt, I just wanted to get their names. So I  
7 asked you what factors would determine how you  
8 thought prices would go in the future, or what you  
9 would take into account.

10 A. We take into account like things like,  
11 okay, MSA payments and what would be required for  
12 them; we take into account taxes, like when a federal  
13 excise tax is going up and what pricing might be  
14 needed for that; we take into account what we think  
15 costs will be, how our costs will increase and what  
16 pricing we think will be required there; we take a  
17 look at volume and what's happening with volume; we  
18 evaluate and debate what we think competitors might  
19 do.

20 We look at the price tiers and what the  
21 deep discount manufacturers are doing, how they're  
22 pricing their brands because you have to be cognizant  
23 of the gaps between tiers between full price and  
24 branded savings and the deep discount. So we'll look  
25 at how we think those deep discount manufacturers

1 will be pricing their product because that impacts  
2 everyone else in the industry. You know, all those  
3 things.

4 Q. Okay. Let me ask you about some of these  
5 things that you just mentioned. You said that one of  
6 the factors that you look at in trying to project  
7 prices is MSA payments; is that right?

8 A. Yes.

9 Q. Okay. And what do you mean by "MSA  
10 payments"?

11 A. Master Settlement Agreement payments.  
12 They're payments that we have to make to the State  
13 because of the settlement, the State's.

14 Q. Do you know when the Master Settlement  
15 Agreement, the MSA, was entered into? Do you recall  
16 what year that was?

17 A. I think the end of '98.

18 Q. Before the MSA was agreed to, were there  
19 other legal settlements that you had to take into  
20 account in determining -- making pricing decisions?

21 A. Well, there were those four states that  
22 were not part of the Master Settlement Agreement, but  
23 were settled before the Master Settlement Agreement.

24 Q. These were four separate settlements?

25 A. I think so.

1 Q. Do you recall what those states were?

2 A. Oh, let's see... Florida, I think,  
3 Minnesota... Oh, gosh, what were the four... I'm  
4 sorry, I just can't remember.

5 Q. Okay. There were four separate states and  
6 four separate settlements?

7 A. Right. I believe that's right.

8 Q. Okay. So one factor you took into account  
9 in pricing were the payments that your company had to  
10 make under the Master Settlement Agreement and the  
11 individual state agreements; is that right?

12 A. Right.

13 Q. And how would you sort of calculate how  
14 much of an increase you had to implement because of  
15 those settlements?

16 A. Well, you look at -- we project what we  
17 think our payments will have to be and then you know.

18 Q. And who specifically would make that  
19 projection within your group?

20 A. Well, I would say that the financial group  
21 would work with Scott on that.

22 Q. Okay. And would they present Scott or you  
23 with calculations as to what the costs of a  
24 particular settlement would be?

25 A. The cost of a particular settlement?

1 Q. Yes. How much that particular settlement  
2 would cost the company?

3 A. In general, what we look at is payments for  
4 all of those settlements, how much we think it will  
5 be, and is it going up or going down versus the  
6 previous year.

7 Q. Was it your goal to raise enough money  
8 through price increases to cover the costs of those  
9 settlements?

10 A. Well, our objective is to stabilize and  
11 grow earnings, and so it all flows from there. It's  
12 not specific just to the MSA, but you look at where  
13 you think volume is, where you think costs are going  
14 to be. And you have -- we have an earnings objective  
15 to be stable or to grow.

16 Q. And in terms of your discussions with  
17 Mr. Keith or Mr. Lapjeko, would there be a  
18 particular document which would set forth to you the  
19 amount of money that you'd have to raise through  
20 price increases to cover the cost of the MSA and the  
21 other settlements?

22 A. Well, that -- I don't think you're  
23 articulating it correctly. There would be a document  
24 that would say, here's what we think MSA payments are  
25 going to go up or down versus the previous year, our

1 MSA payments, here's what we think is going to happen  
2 to taxes, like the federal excise tax, here's what we  
3 think will happen to our other costs, here's what we  
4 we think will happen to volume. And you put all  
5 those things together.

6 Q. Okay. So this is sort of one sheet of  
7 paper which would break out these different  
8 components that you mentioned that would go into a  
9 determination of price; is that correct?

10 A. That's right.

11 Q. And who would prepare that sheet of paper?

12 A. Scott and the financial group.

13 Q. Is it usually one page or more than one  
14 page?

15 A. Well, it's a process again; it's not like  
16 one point in time.

17 Q. Right.

18 A. So sometimes there's -- yeah, there's more  
19 pages, and it evolves over time. We look at something  
20 and then we might change some of the assumptions in  
21 it and we get a revised one and we debate what's in  
22 there and...

23 Q. Oh, would the way it would work, just so I  
24 understand, would you decide that you're going to  
25 have a meeting regarding pricing and ask Scott or Ken

1 to come up with a sheet that would sort of break out  
2 anticipated costs or components of the pricing?

3 A. Well, we have meetings, when they bring  
4 that to the meeting.

5 Q. Okay. And when you say we have meetings,  
6 that is, you would decide to have the meeting  
7 regarding pricing and Scott and Ken would bring a  
8 document to the meeting which would break out these  
9 sort of cost elements?

10 A. Yes. And it's not necessarily I'd be  
11 deciding to have the meeting, but we know we have to  
12 do the operating plan. So Scott could call the  
13 meeting or Ken could call the meeting or I could call  
14 the meeting, or we'd get together and the plan's  
15 already done and we say, it's time we did an update  
16 on the plan. And we all agree we're going to do an  
17 update and, you know, Scott could schedule the  
18 meeting, I could schedule the meeting, Ken could  
19 schedule the meeting. It just depends.

20 Q. And on those occasions where you had a  
21 meeting, maybe you can just explain this, would it be  
22 a general meeting to go over the plan or would you  
23 have specific meetings on the pricing component of  
24 the plan?

25 A. Generally it would be more than just

1 pricing. We would be talking about more than  
2 just pricing. That would be a piece of it.

3 Q. Okay. And with respect to the pricing  
4 component of that meeting, a sheet would be prepared  
5 of one or more pages by Mr. Keith or Mr. Lapjeko  
6 that -- which is what you referred to earlier, that  
7 is, a sheet of paper that would break out the  
8 different costs or expense components of pricing; is  
9 that right?

10 A. The different cost components we have.

11 Q. Yes.

12 A. Like MSA, what we think's going to happen  
13 with the federal excise tax, what we think is going  
14 to happen with it, our other costs, what we think is  
15 going to happen with discounting and promotion.

16 Q. All right. And that sheet of paper or the  
17 pages that would be prepared, would that be in the  
18 form of a memo to you or would it just be sort of a  
19 draft sheet of paper with numbers on them?

20 A. I'd say more generally a draft sheet of  
21 paper with numbers on it.

22 Q. Okay. And a -- would it have a title or  
23 would it just have, for example, MSA costs, excise  
24 taxes, things like that?

25 A. It may have a title.

1 Q. Okay. And during the course of the year,  
2 typically several of these documents would be  
3 prepared by Mr. Keith and -- or Mr. Lapjeko; is that  
4 right?

5 A. Right.

6 Q. Okay. With respect to -- and by the way,  
7 was there a term you used within the company to  
8 describe this document that we've been referring to  
9 that breaks out the cost elements of pricing?  
10 A. I guess we'd say, you know, operating plan,  
11 latest estimates, something like that.

12 Q. Okay.

13 A. And then it may not have a title on it at  
14 all.

15 Q. Okay. Now, that document, which would  
16 sort of break out the cost elements of pricing, with  
17 respect to MSA payments and other settlement  
18 payments, would it give a summary figure as to the  
19 amount of price increase that would be necessary to  
20 cover the MSA payments or the other settlement  
21 payments?

22 A. Well, again, it wouldn't be like the price  
23 increase necessary to cover that. What it would  
24 summarize is like on a per-thousand basis, here's  
25 what we expect the payment to be this year and



1 here's what we expect the payment to be next year  
2 and the difference is X.

3 Q. Okay. When you say per thousand, that  
4 would be per thousand cigarettes, right?

5 A. Right.

6 Q. With respect to taxes, would the cost sheet  
7 also break out on a per-thousand basis what the  
8 anticipated cost of taxes would be?

9 A. Yes. Like we expect the federal excise tax  
10 to go up X-amount per thousand.

11 Q. Is the federal excise tax a tax payment  
12 made directly by your company to the Federal  
13 Government?

14 A. I believe so.

15 Q. And do you know how often that payment is  
16 made?

17 A. I don't.

18 Q. I take it Mr. Lapjeko knows a lot more  
19 about that?

20 A. You'll have to ask him, but I would assume  
21 he does. (Laughter)

22 Q. And is the -- if you know, is the amount of  
23 your company's payment to the Federal Government  
24 based on the number of cigarettes which it sells?

25 A. Yes.

1 Q. Do you know if it's based on the volume of  
2 cigarettes or the dollar amount of cigarettes which  
3 it sells?

4 A. Volume.

5 Q. Do you know if the federal excise tax  
6 changes from time to time?

7 A. Yes.

8 Q. More than once a year sometimes?

9 A. I don't remember it changing more than once  
10 a year.

11 Q. Okay. Is it usually at least once a year?

12 A. No.

13 Q. Sometimes every couple of years?

14 A. Yeah. It could be you don't have one that  
15 year. It's when the Federal Government decides to  
16 take the tax up. (Laughter)

17 Q. Now, in describing the costs which form the  
18 basis for price changes, you refer to MSA payments,  
19 excise taxes, and then you refer to sort of costs in  
20 general. And that would include manufacturing and  
21 marketing and other costs; is that right?

22 A. Yeah. It includes like discount -- you  
23 know, the -- probably the biggest cost bucket we look  
24 at is discounting and promotion, what sort of pricing  
25 deal-backs, if you will, do we expect in the store.

1 In other words, you know, there's -- it's the price  
2 it starts out at, but then you have all kinds of  
3 promotions in the store that bring the price down.

4 Q. Okay.

5 A. Which is, in essence, an offset.

6 Q. What about costs of tobacco packaging  
7 distribution and things of that nature, is that also  
8 factored into your pricing decisions?

9 A. Yes.

10 Q. In your experience, have the -- at least  
11 since '87, have tobacco costs ever precipitated a  
12 price increase?

13 A. What do you mean, like the --

14 Q. The cost of purchasing or growing tobacco?

15 A. Oh, purchasing or growing tobacco? Well,  
16 it'd be a part of all the numbers rolled up, so it'd  
17 be a piece of it. I mean, it's not like you pull it  
18 out separately. It's all of those things together  
19 that factor in.

20 Q. Right.

21 A. It's not like you're making a decision on  
22 any one piece. You're putting it all together.

23 Q. Okay. Well, do you recall at any of these  
24 meetings where your company had decided that they had  
25 to raise prices to cover increased tobacco costs

1 specifically?

2 A. Well, again, it's all the pieces added up,  
3 which how much the tobacco costs is a piece of that.

4 Q. Okay. With respect to costs, you said that  
5 the primary items that you looked at under costs were  
6 discounts and promotional costs; is that right?

7 A. Well, that's a big one. We look at all of  
8 them, but that's a big one.

9 Q. And on the sheet which you and Mr. Lapjeko  
10 and Mr. Keith look at, what type of information is  
11 set forth regarding costs in terms of your analysis  
12 of pricing?

13 A. Well, we project what we think the costs  
14 will be.

15 Q. The cost of manufacturing per thousand  
16 cigarettes?

17 A. Uh-huh. Yes.

18 Q. Yes?

19 A. Yes, I'm sorry.

20 (Ms. Loiseau left the room.)

21 Q. Are there specific numbers broken out for  
22 discounting and promotional costs or is it all  
23 wrapped into the total cost figure?

24 A. No. We break out discounting and  
25 promotions.

1 Q. What else is broken out?

2 A. Well, it depends. There are levels of  
3 detail. We break out sales spending, merchandising  
4 spending, the variable cost of the product, the  
5 overhead cost, the discounting promotion cost, the  
6 equity spending. I mean, you know, there's all kinds  
7 of cost breaks.

8 Q. Another item that you looked at -- excuse  
9 me, that you mentioned in your analysis of pricing,  
10 you said was volume; is that right?

11 A. That's right.

12 Q. Okay. And how does your projection of  
13 volume figure into your analysis of pricing?

14 A. Well, again, as I said, you're setting this  
15 earnings objective that you want to get to and then  
16 you're backing up and you look at all the components  
17 that feed into that and how much volume you have is  
18 one of those.

19 Q. And what would you consider, what factors  
20 would you consider, in determining what your  
21 projected volume would be?

22 A. Well, we consider what we think will happen  
23 to the industry, what the industry will look like,  
24 and then our share of market within the industry,  
25 which would drive the volume forecast.

1 Q. Okay. And those projections of volume  
2 would be on your analysis sheet; is that right?

3 A. Yes.

4 Q. Okay. On a company-wide basis or on a  
5 brand-by-brand basis?

6 A. Both.

7 Q. Another factor which you said you  
8 considered was what competitors might do with respect  
9 to price; is that right?

10 A. That's correct.

11 Q. Okay. And is that information also on the  
12 sheet that you would look at, or is that something  
13 that you would just talk about?

14 A. No, because we really don't know, so we  
15 just debate and argue over what we think the  
16 competitive moves will be and why they'll do it.  
17 And, you know, we look at the low end, the deep  
18 discounters, and what we think they will do and our  
19 other key competitors and what we think they will do,  
20 Philip Morris and -- you know, we try and guess what  
21 we think might be in their plans as well.

22 Q. Okay. And what facts would you have at  
23 your disposal in making your analysis of what you  
24 think competitors might do?

25 A. Well, facts we would have at our disposal

1 is we'd project what we think their share will be, so  
2 we know -- we have an i -- we have a guess about  
3 that. We look at what they've done in the past and  
4 we have that information. And we might know that  
5 like Philip Morris' objective is to grow earnings, so  
6 we know that's in the mix. So, you know, we just  
7 take in what we've -- past behavior and kind of  
8 debating and trying to apply judgment to what we  
9 think will happen.

10 Q. Did you say earlier that Mr. Keith's group,  
11 the forecasting group, also had responsibility for  
12 competitive intelligence?

13 A. I don't think I said that, but they do.

14 Q. Okay. Well... (Laughter) And during these  
15 discussions of what competitors are likely to do, did  
16 Mr. Keith offer information which he obtained from  
17 his competitive intelligence analysts?

18 A. He might offer information -- like we  
19 might find out, oh, Philip Morris is going to do  
20 buy-some-get-some-free or Philip Morris is going to  
21 take their discount rate in-store from \$5.00 to  
22 five-fifty. So that kind of information that says,  
23 oh, gee, they're going to spend more discounting and  
24 promoting.

25 Q. Is that information which Mr. Keith would

1 obtain before those programs were publicly announced  
2 to the customer base?

3 A. I don't think so.

4 Q. That is, he would advise you of programs  
5 which Philip Morris, for example, had already  
6 announced to its customers; is that correct?

7 A. They might tell a wholesaler that they -- a  
8 buy-some-get-some-free is coming and we pick up that  
9 communication.

10 So that would be an example of obtaining  
11 information before a formal public announcement by a  
12 competitor; is that right?

13 A. Well --

14 MR. FOUNTAIN: Objection to form.

15 MS. GALVANI: Objection to form.

16 THE WITNESS: I wouldn't say -- I don't  
17 know of any formal public announcement of  
18 buy-some-get-some-free promotions or discounting  
19 levels. You just, you know, tell your customers what  
20 you're doing. I don't know what you mean by "formal  
21 announcement".

22 BY MR. ASHER:

23 Q. Well, you said that one of the things which  
24 Mr. Keith's group might learn about is information  
25 about a buy-one-get-one-free, might be disclosed to a



1 customer before it's sort of formally sent out to the  
2 customer base.

3 (Ms. Loiseau entered the room.)

4 MR. FOUNTAIN: Objection --

5 MS. GALVANI: Objection to form.

6 MR. FOUNTAIN: -- that mischaracterizes her  
7 testimony.

8 THE WITNESS: Yeah, again, formally sent  
9 out? I don't know if they formally send it out or  
10 not. But when you're getting ready to do a  
11 promotion, you go to the customers and tell them  
12 you're doing it.

13 BY MR. ASHER:

14 Q. Okay. And then when you actually do it,  
15 though, you send out some kind of notice to your  
16 customers, don't you? I mean, it's not, you know,  
17 just informally whispered; you sort send out some  
18 writing. Is that correct?

19 A. Well, we tell them what we're doing. You'd  
20 have to ask sales exactly what they put in writing  
21 and what they don't put in writing. I don't know.

22 Q. Okay. Did Mr. Keith, for example, or his  
23 group, gather information from stock analysts as to  
24 their projections of what competitors might be doing?

25 A. You'd have to ask him if he looks at the

1 analyst report. I don't know if he really factors  
2 that in or not.

3 Q. Okay. Did Mr. Keith or anyone else ever  
4 tell you that they heard rumors within an industry  
5 that a particular competitor was about to raise  
6 prices by a certain amount?

7 A. I wouldn't say -- I don't know if Scott  
8 ever has. There are rumors out there sometimes. I  
9 mean, you hear rumors.

10 Q. Did competitor price increases generally  
11 take you by surprise or did you usually have prior  
12 information that they were coming?

13 A. No, we don't have prior information they're  
14 coming. I mean, there's rumors out there, but we  
15 don't know a price increase is happening until it  
16 happens.

17 Q. In analyzing pricing decisions, you said  
18 that another consideration were price tiers and gaps;  
19 is that correct?

20 A. Yes.

21 Q. And maybe you can explain what you mean by  
22 that.

23 A. Sure.

24 Q. Okay. What do you mean by "price tiers"?

25 A. Okay. Well, there are brands that are kind

1 of in the full-priced tier, there are brands in the  
2 branded savings tier, which is lower priced than full  
3 price, and then there are brands in the deep discount  
4 tier, which are lower priced than branded savings.

5 Q. And how did the fact that there are  
6 different tiers, how did that enter into your pricing  
7 decisions?

8 A. Oh, well, because if you get the gap  
9 between, let's say, full price and branded savings,  
10 if you get that gap too big, then your full-price  
11 smokers are switching down to the savings brands,  
12 which you don't want to happen. And the -- likewise,  
13 with the deep discount brands, if the gap between the  
14 branded savings -- our branded savings brand and the  
15 deep discount brands get too big, then we're going to  
16 lose business to that end of the business.

17 So all of these brands interact with each  
18 other and it's kind of a value equation, you know,  
19 how much is this brand worth versus this brand. And  
20 in a consumer's mind it may be worth 40 cent pack a  
21 difference, but if it's 50 cent pack a difference,  
22 it's not worth it anymore. So you have to constantly  
23 be concerned about the interaction between your brand  
24 and the other price tiers.

25 Q. How did, let's say, that group, you and

1 Mr. Keith and Mr. Lapjeko, determine what the proper  
2 spread should be or the gap should be between the  
3 different product tiers?

4 A. Well, we have, you know, pricing models,  
5 which say what kind of share each tier will keep  
6 given the gap that's there. It's, you know, a  
7 modeling system.

8 Q. Who within the company would generate these  
9 models?

10 A. Scott, Keith, his group.

11 Q. And the sheet that you would have before  
12 you when you and Scott and Mr. -- Keith and  
13 Mr. Lapjeko would meet, what information would be on  
14 that sheet regarding the different pricing tiers?

15 A. Oh, well, what might be on it is here's  
16 what we think will happen to the overall industry and  
17 here's what we think the percent -- the full-price  
18 tier will have, here's the percent we think branded  
19 savings tier will have, here's the percent we think  
20 deep discount tier will have, and here's how it  
21 changes over time.

22 Q. Do you recall that any other information  
23 that was on the sheets that you reviewed in  
24 connection with these pricing meetings, any  
25 information that was on these sheets that we didn't

1 already discuss?

2 A. Okay. Just the way you characterized it  
3 is not what I said. What you called them pricing  
4 meetings, and what they were is they're planning  
5 meetings --

6 Q. In which pricing was discussed?

7 A. Which pricing is a part of. Okay?

8 Q. Okay. You're right. And I'll ask that  
9 again because that point's well taken. In these  
10 planning meetings in which pricing was discussed and  
11 there were sheets that were given to the participants  
12 in connection with their pricing discussions, was  
13 there any other types of information that you recall  
14 being on the sheets other than that which we have  
15 been discussing?

16 A. I don't think so. I mean, I...

17 Q. Okay.

18 A. I don't remember everything we talked  
19 about, but I think we've covered most of it.

20 Q. We've talked about MSA payments, taxes,  
21 costs, volumes, projections as to what competitors  
22 might do, and the different pricing tiers. Is there  
23 anything else --

24 A. Volume? Did you say volume?

25 Q. Yes, volume.

1 A. And industry volume, did you say that?

2 Q. I'm not sure I said industry volume. The  
3 projected volume of your company and the projected  
4 volume of the industry; is that right?

5 A. Yes. Cost, you know, we talked about all  
6 the other costs, too.

7 Q. Okay. Now, did the sheet, the cost sheet,  
8 or whatever it was called, did it have a summary  
9 number on it as to how much of a price increase per  
10 thousand cigarettes was necessary to cover the costs  
11 or to achieve your earnings objectives?

12 A. I'm not sure what you asked me. Could you  
13 say it again?

14 Q. Yeah. You said that a sheet was passed out  
15 and it covered these various items. Did that sheet  
16 contain a summary number which would indicate the  
17 amount of price increase necessary for your company  
18 to either cover its costs or to obtain its -- meet  
19 its earnings objectives?

20 A. Well, what would be -- you know, it depends  
21 on the meeting because of course we have meetings  
22 along the way where we're developing the  
23 assumptions. And then we may have a meeting where  
24 there isn't anything on the sheet because we're  
25 discussing what we think it will be. But at some

1 point we have on a sheet of paper here's what our  
2 assumed price increases per thousand are during the  
3 rest of this year or during next year or whatever  
4 time period we're looking at.

5 Q. Just to be clear, the assumed price  
6 increase number, was that a number that was on the  
7 sheet?

8 A. On the sheet?

9 Q. Yes.

10 A. Again, in some -- you know, we're having  
11 meetings where we're building components. We might  
12 have a meeting where we're just talking about what  
13 the assumptions are for discounting and promotion.  
14 But when we put the whole thing together, on this  
15 sheet is written down what we assume price increases  
16 per thousand will be.

17 Q. Okay. And sometime by November -- you said  
18 the process would be completed in November -- that  
19 number would be more or less finalized; is that  
20 right?

21 A. Or some -- yes, that plan would be  
22 finalized.

23 Q. Okay. So during the period from July  
24 through November, you would be working through  
25 various numbers and components, and ultimately by

1 November you would come up with a number as to the  
2 projected price increase; is that correct?

3 A. Right. We'd be working through scenarios  
4 and all that. But by November we would land on,  
5 here's what we're putting in, here's what we think.

6 Q. Now, once you would come up with that  
7 number, maybe you can explain the form that that  
8 number would take. Would it be, for example, what  
9 you expected the price increase to be for the  
10 following 12-month period, or would it be for some  
11 subsection of that 12-month period?

12 A. Well, it would cover the 12-month period,  
13 but there would be -- we would put in there  
14 specifically May 1st, \$5.00 a thousand on full-price,  
15 on branded savings, here's what we think the deep  
16 discounters will do.

17 Q. So you would break out not only the amount  
18 of price increases for the coming year, but what you  
19 anticipated the dates of those price increases to be;  
20 is that right?

21 A. Yes.

22 Q. Okay. And is it fair to say that in some  
23 years you would project one price increase and in  
24 some years you would project more than one price  
25 increase?



1 A. Yes.

2 Q. And what factors would determine how many  
3 price increases you would project over the coming  
4 year?

5 A. Well, again, it's all the things I talked  
6 about.

7 Q. Okay. I understand all those factors, and  
8 we don't have to go over them again. But just to go  
9 over the timing of it more specifically, some years I  
10 take it you would say that you expected there would  
11 be one price increase in a certain amount; is that  
12 right?

13 A. Yes.

14 Q. Okay. And in some years you would project,  
15 say, two or three price increases at different points  
16 in the year; is that right?

17 A. Right.

18 .. And if I can just ask specifically for  
19 those years in which you would project, say, two to  
20 three price increases during specific months, what  
21 factors would go into your determining that the price  
22 increases would occur in specific amounts at specific  
23 times in the year?

24 A. All of those factors I talked about.

25 Q. Okay. If, for example, you were projecting

1 one price increase in April and one in August, for  
2 example, what factors might lead you to believe  
3 specifically that the price increases would come in  
4 May and August as opposed to March and October?

5 A. Well, we don't know and we're always wrong.

6 Q. Uh-huh.

7 A. (Laughter) But something like, okay, the  
8 federal excise tax is going into place, when exactly  
9 is that going into place. Well, you're going to  
10 expect a price increase in advance of it because you  
11 know the price has to go up for it, or when the MSA  
12 payments are going up, or other costs are going up.

13 I mean, it's all those factors. And you look at  
14 them, okay, when was the last price increase taken  
15 and, I mean, all of those things would weigh into  
16 guessing about the time frame.

17 Q. Okay. And which document would one have to  
18 look at to see your final projection for the amount  
19 and timing of price increases for the coming year?

20 A. The operating plan.

21 Q. Okay. With respect to the operating plan  
22 price projections, in addition to yourself and  
23 Mr. Lapjeko and the people that work for him and  
24 Mr. Keith, would Mr. Shindler also participate in  
25 that projection in the operating plan of prices?

1           A.    Yeah.  I mean, essentially he's the final  
2   say on everything.  All we're doing is really  
3   presenting what we -- what we think should be in  
4   there.  We're making recommendations to him.  He's  
5   the decision-maker.

6           Q.    Would Mr. McGuire participate in the  
7   decisions regarding the amount of projected price  
8   increase or increases to put in the operating plan?

9           A.    He'd be involved in discussions along the  
10   way, but he's in far fewer of them than Ken and Scott  
11   and I are.  But, yeah, he would be engaged.  But,  
12   again, we recommend; we're not really making the  
13   decision.  Andy makes the decision.

14          Q.    Focusing on the period from '97 on, when  
15   you became Executive Vice-President of Marketing,  
16   during that period, have you had any meetings or  
17   other personal contacts with persons from Philip  
18   Morris?

19          A.    I had one contact with a person from Philip  
20   Morris.  I was testifying in a trial out in  
21   California, and Ellen Merlo was testifying before me  
22   and she was in the same witness room as me.  And I'd  
23   never met her and we introduced ourselves.  I mean,  
24   there was some lawyers there and stuff, too, but  
25   that's it.

1 Q. Was that the only contact since '97 that  
2 you've had with anyone who you knew or understood to  
3 be from Philip Morris?

4 A. Yes.

5 Q. Since '97 have you had contacts with any  
6 persons who you knew or believed to be employees of  
7 Brown & Williamson?

8 A. I don't think so, no.

9 Q. Since '97 have you had meetings or contacts  
10 with any person who you knew or believed to be an  
11 employee of Lorillard?

12 A. I don't remember the exact year, but I  
13 was at an American Jewish fund raiser/dinner, and  
14 Marty Orlowsky was there and I said Hi to him at the  
15 cocktail hour.

16 Q. And what is Mr. Orlowsky's position?

17 A. I believe he's head of the company.

18 Q. Head of Lorillard?

19 A. Uh-huh.

20 Q. Is that the only contact that you recall  
21 having since '97 with someone from Lorillard?

22 A. Yeah.

23 Q. Okay. Since '97 have you had any contacts  
24 with anyone from Liggett and Meyers?

25 A. No, don't believe so.

1 Q. Since '97 has Mr. Lapjeko ever told you  
2 that he had any contacts with any employees of other  
3 cigarette manufacturers?

4 A. I'm not sure if he has or not.

5 Q. Do you have any understanding as to  
6 whether, in the course of his duties, Mr. Lapjeko  
7 has occasion to meet or speak with representatives of  
8 other cigarette manufacturers?

9 A. I don't think generally as part of his job  
10 he did, but I -- I don't know. There could be some  
11 special projects that he's been working on that he  
12 may have. I just don't know.

13 Q. Okay. You're not sure one way or the  
14 other?

15 A. I'm not.

16 Q. Did Mr. Keith ever tell you about contacts  
17 he had with employees of other cigarette  
18 manufacturers?

19 A. No.

20 Q. Did he ever say to you that he obtained  
21 information from an employee of another cigarette  
22 manufacturer?

23 A. No.

24 Q. Do you know whether in the course of  
25 Mr. Keith's duties he has occasion from time to time

1 to meet or speak with representatives of other  
2 cigarette manufacturers?

3 A. Not that I'm aware of.

4 Q. Did Mr. Shindler ever tell you about any  
5 contacts that he may have had with manufacturers --  
6 representatives of other cigarette manufacturers?

7 A. I think once he told me he had dinner  
8 with -- in New York with some of the other heads of  
9 the companies. I was thinking he told me that once.

10 Q. Did he tell you what other companies were  
11 represented at this dinner?

12 A. No. I really can't remember the specifics  
13 of it.

14 Q. Was it your impression that it was at a  
15 restaurant?

16 A. I don't really know. I don't remember  
17 details about it. I think they were having some  
18 social get-together or something. I don't know. I  
19 really can't remember.

20 Q. Was it your impression that this happened  
21 on one occasion or more than one occasion?

22 A. Just once.

23 Q. Did Mr. Schindler ever tell about any  
24 meetings he had with other manufacturers at Tobacco  
25 Institute meetings?

1           A.    I was aware he went to those meetings, but  
2   he never told me about them.

3           Q.    Do you attend meetings of the company's  
4   Executive Committee?

5           A.    Yes.

6           Q.    And that was usually a weekly meeting; is  
7   that right?

8           A.    Yes.

9           Q.    And during those meetings, did Mr. Shindler  
10   ever talk about meetings or conversations he had with  
11   employees or officers of other cigarette companies?

12          A.    No.

13          Q.    Do you recall --

14          A.    I don't recall any.

15          Q.    Do you recall any person at the Executive  
16   Committee meetings talking about meetings or contacts  
17   or discussions they had with employees of other  
18   cigarette manufacturers?

19          A.    Well, I think that Chuck Blixt, our general  
20   counsel, when he's talking about cases of which we  
21   are in together, has sometimes referred to speaking  
22   to counsel for other companies.

23          Q.    Uh-huh. Do you recall Mr. Blixt ever  
24   participating or sitting in on meetings in which  
25   price increases were discussed?

1 A. No, I can't ever really remember.

2 Q. In terms of evaluating the amount of MSA  
3 payments or payments under other settlements, do you  
4 ever recall asking Mr. Blixt for input as to the  
5 amount of -- the projected amount of price -- let me  
6 withdraw that question.

7 In connection with evaluating the amount of  
8 payments under the MSA agreement or any other  
9 settlement agreement, do you recall conferring with  
10 Mr. Blixt to ascertain the amount of such payments?

11 A. No. That's a finance question.

12 Q. Do you recall if Mr. Lapjeko ever said  
13 that he had conferred with Mr. Blixt to determine  
14 the amount of payments under the MSA agreement or any  
15 other settlement agreement?

16 A. No, I don't remember him saying it. I  
17 mean, he could have.

18 Q. Do you recall whether at the Executive  
19 Committee meetings Mr. Blixt discussed anything other  
20 than the progress of particular lawsuits or  
21 litigations?

22 A. Does he ever discuss anything else; is that  
23 what you're saying?

24 Q. Yes.

25 A. Well, like we've had succession plan



1 meetings and he talks about people advancing. I  
2 mean, we'll be having a business discussion like, you  
3 know, a new line extension we're bringing out or  
4 something and he might make a comment on it. He  
5 might say what he did that weekend. I mean...

6 (Laughter)

7 Q. Well, let me ask you this, and I don't want  
8 to get into any legal advice, but with respect to a  
9 comment, for example, he might make regarding line  
10 extension, would that be a -- as you understood it, a  
11 uniquely legal comment or would that be sort of his  
12 general business observation?

13 A. Well, there's both. He might make just a  
14 general observation, oh, I think that ad looks really  
15 good or I really like that path, but then we might  
16 have a specific legal issue that we are asking him  
17 about.

18 Q. Did you ever hear of a group within The  
19 Tobacco Institute referred to as the Committee of  
20 Counsel?

21 A. I've heard that.

22 Q. Do you know if Mr. Blixt participates in  
23 that group?

24 A. No.

25 Q. Did Mr. Blixt ever disclose at any

1 Executive Committee meetings anything which  
2 transpired at any of these Committee of Counsel  
3 meetings?

4 A. I've never heard anything, no.

5 Q. Did you belong to any committees or groups  
6 which involved persons from other cigarette  
7 manufacturers?

8 A. Me personally?

9 Q. Yes.

10 A. No.

11 Q. Did anyone, to your knowledge, in the  
12 marketing department, participate in any groups or  
13 trade associations which put them in contact with  
14 persons from other manufacturers?

15 A. I don't know for sure, but the only thing I  
16 can think of is Dave Iauco, who works for me. We --  
17 our company belongs to the ANA, which is the  
18 Association of National Advertisers. I don't know if  
19 other companies belong or if he's met people from  
20 other companies.

21 Q. Uh-huh.

22 A. I guess it's possible.

23 Q. Are you aware of any trade associations or  
24 industry groups within the tobacco industry that  
25 other employees of your company, RJR, participate in?

1 A. Well, I mean, there are like wholesaler  
2 conventions and retailer conventions. Is that what  
3 you mean?

4 Q. Well, that would be part of it, yes.

5 A. I mean, because obviously we go to the  
6 retailer -- like the NACS convention and the  
7 wholesaler conventions.

8 Q. Okay. What about groups that are composed  
9 primarily or entirely of cigarette manufacturers?

10 A. I don't know what you're talking about.

11 MR. ASHER: Do you want to take a break at  
12 this point?

13 MR. FOUNTAIN: Sure.

14 VIDEO TECHNICIAN: We're off the record at  
15 12:14.

16 (Off the record.)

17 (Mr. Marsch entered the deposition.)

18 VIDEO TECHNICIAN: This begins Tape 2 of  
19 the deposition of Lynn Beasley. We're on the record  
20 at 1:21.

21 BY MR. ASHER:

22 Q. Good afternoon, Ms. Beasley. This morning,  
23 before the lunch break, we were talking about  
24 meetings that you had with other people at the  
25 company to make a projection of price increases for

1 the forthcoming year. I'd like to ask you now about  
2 the implementation of these price increases.

3 Beginning with the time when you assumed  
4 your current position in 1997 as Executive  
5 Vice-President of Marketing, did you have meetings  
6 from time to time with other employees of your  
7 company in which you actually made decisions to  
8 implement price increases?

9 A. Yes.

10 Q. Okay. When were these meetings held?

11 A. Usually it would be Ken and Andy and I and  
12 sometimes Jim McGuire and it's -- Philip Morris  
13 announces a price increase and we get together and we  
14 talk about whether we're going to take one or not.

15 Q. Where would you get together?

16 A. One of our offices or a conference room.

17 Q. Okay. How long would the meetings last?

18 A. Depends on the, you know, which -- what  
19 we're talking about.

20 Q. What factors would you take into account in  
21 deciding whether to follow the price increase or not?

22 A. A lot of factors.

23 Q. And what were they?

24 A. Well, for one thing, you know, is this from  
25 a business standpoint, does this fit in with what we

1 projected that in the range of what we projected we  
2 need in terms of meeting our objectives for the  
3 business, you know, the covering costs and meeting  
4 the earnings objective and where we stand, and other  
5 considerations like where we stood on -- in the year  
6 and things like that, you know, the business need,  
7 our business need.

8 Q. Would the decision be made at the meeting  
9 itself or would Mr. Shindler go off and consider it  
10 independently for a while?

11 A. I think generally -- I mean, there may -- I  
12 don't know. I don't remember a time when he went off  
13 by himself. Generally he decides right then.

14 Q. Okay. Would the meetings usually be  
15 occasioned by information that Philip Morris had  
16 announced a price increase?

17 A. Yes.

18 Q. Okay. Did you ever decide to implement a  
19 price increase higher than the amount of the price  
20 increase that Philip Morris had announced for premium  
21 brands?

22 A. No.

23 Q. Did you ever decide to implement a price  
24 increase for an amount that was lower than the amount  
25 that Philip Morris had announced for premium brands?

1 Q. Do you know where the outside supplier buys  
2 tobacco from?

3 A. No.

4 Q. Do you know if different types of tobacco  
5 are used in different cigarettes?

6 A. Yes.

7 Q. Okay. Do you know if the amount of the --  
8 of different types of tobacco that the company pays  
9 is different? That is, do you know if the price that  
10 the company pays for the different types of tobacco  
11 varies?

12 A. Yes.

13 Q. Do you know if the price that the company  
14 pays for different types of tobacco is related to the  
15 price which your company charges for particular  
16 cigarettes?

17 MR. FOUNTAIN: Objection to form.

18 BY MR. ASHER:

19 Q. Let me ask that again. Do you know, for  
20 example, if the company pays more for the tobacco  
21 that it uses in premium brands than for the tobacco  
22 that it uses in discount or off-priced brands?

23 A. Yes. There's less expensive tobacco in the  
24 like Doral brand than in a Camel or a Winston, for  
25 example.

1 Q. Okay. Do you know what person at your  
2 company is most directly involved in tobacco  
3 purchasing?

4 A. I think Rob Kornegay.

5 Q. And do you know what his position is with  
6 the company?

7 A. I don't know his exact title, but it would  
8 be some -- you know, something like Vice-President of  
9 the leaf department, something like that.

10 Q. Do you know if the company that RJR, R.J.  
11 Reynolds, buys tobacco from sells exclusively to R.J.  
12 Reynolds or whether it also sells to R.J. Reynolds'  
13 competitors?

14 A. I don't know.

15 Q. Now, your company also uses paper in the  
16 manufacture of cigarettes; is that correct?

17 A. Yes.

18 Q. And do you know how your company obtains  
19 the paper which it uses in the manufacture of  
20 cigarettes?

21 A. I believe the purchasing department  
22 contracts to buy it.

23 Q. Do you know from what company or companies  
24 it purchases cigarette paper?

25 A. No.

1 Q. Do you know whether R.J. Reynolds owns all  
2 or parts of any companies which manufacture cigarette  
3 paper?

4 A. We have a packaging division in RJR.

5 Q. Do you know if the packaging division  
6 manufactures cigarette paper?

7 A. No.

8 Q. Do you know what work is done by the  
9 packaging division?

10 A. Well, I know that they produce some of our  
11 packaging, like the wrappers that go around the pack.

12 Q. Okay. Do you know if different types of  
13 cigarette paper are used for different brands of  
14 cigarettes?

15 A. Yes.

16 Q. Do you know what the difference is between  
17 the different papers used in different types of  
18 cigarettes?

19 A. Just generally.

20 Q. And what is your general understanding?

21 A. Well, there's like paper made from flax,  
22 and there's paper made from pulp, and there's paper  
23 that has different porosity levels.

24 Q. Do these different papers have different  
25 costs to the company?



1 A. Probably.

2 Q. Do you know if the costs of paper used in  
3 premium cigarettes is higher than the cost of papers  
4 used in discount cigarettes?

5 A. I'm not sure across all premium cigarettes,  
6 but I believe that our paper on Camel is more  
7 expensive than our paper on Doral.

8 Q. Does your company use filters in the  
9 manufacture of some cigarettes?

10 A. Yes.

11 Q. Do you know how your company obtains the  
12 filters that it uses in the manufacture of  
13 cigarettes?

14 A. Again, I believe it's the purchasing  
15 department who contracts to buy that.

16 Q. Do you know if they buy it from outside  
17 companies or whether they're manufactured in-house?

18 A. I think it's outside, but I'm not sure.

19 Q. Do you know who at your company would be  
20 most knowledgeable about its acquisition of filters  
21 for use in the manufacture of cigarettes?

22 A. Well, I suspect it would be  
23 Jackie Renegar, who is our head of purchasing.

24 Q. Renegar?

25 A. Uh-huh.

1 Q. Do you know how long Jackie Renegar has  
2 been head of purchasing?

3 A. Several years. I mean, I don't know  
4 exactly.

5 Q. In terms of the wrappers and other  
6 materials used in packaging, do you know how the  
7 company obtains that material?

8 A. Well, we buy some of it from our internal  
9 packaging division and we buy some of it on the  
10 outside.

11 Q. Is there a particular name of your internal  
12 packaging division?

13 A. I think it's RJR Packaging.

14 Q. Do you know if RJR Packaging either  
15 packages cigarettes for companies other than RJR --  
16 well, let me ask you that question. Do you know if  
17 RJR Packaging packages cigarettes for companies other  
18 than RJR?

19 A. I don't think so, but I'm not sure.

20 Q. Do you know if RJR Packaging manufactures  
21 any of the products which it used -- uses in the  
22 packaging of cigarettes?

23 A. I don't know what you're asking. Like --

24 Q. Does it manufacture wrappers that are used  
25 or the cellophane that's used?

1           A.    Yeah. Our internal packaging division  
2   creates packaging that we use on our cigarettes. Is  
3   that what you're asking?

4           Q.    Yes.

5           A.    Yeah.

6           Q.    How many packaging plants does RJR have, if  
7   you know?

8           A.    I don't know.

9           Q.    Do you know if there's more than one?

10          A.    I'm not sure.

11          Q.    Okay. Do you know how many manufacturing  
12   plants in general the company has for the manufacture  
13   of cigarettes?

14          A.    For cigarettes, we have Tobaccoville,  
15   Whitaker Park, and Shore Fair.

16          Q.    Are they all located in North Carolina?

17          A.    Yes.

18          Q.    Are they all in the Winston-Salem area?

19          A.    Well, Tobaccoville is in Tobaccoville,  
20   which is north of Winston-Salem, but it's kind of,  
21   you know, in the general area.

22          Q.    Okay. And is Whitaker in the Winston-Salem  
23   area?

24          A.    Uh-huh.

25          Q.    And I forget the --

1 A. Shore Fair, yes.

2 Q. Shore Fair is also in the Winston-Salem  
3 area?

4 A. Yes.

5 Q. Are different brands of cigarettes  
6 manufactured in these different locations?

7 A. Yes.

8 Q. Okay. And do you know how that breaks  
9 down, that is, which brands are manufactured in which  
10 locations?

11 A. No.

12 Q. Do you know if any cigarettes are  
13 manufactured in more than one location?

14 A. They may be, I don't know.

15 Q. Do you know if the company from time to  
16 time switches the location in which cigarettes are  
17 manufactured? For example, would they move the  
18 manufacture of Camel from Tobaccoville to Whitaker,  
19 or something of that nature?

20 A. I'm not really sure.

21 Q. Who are the people within the marketing  
22 department that are involved with sports marketing?

23 A. What do you mean "involved with"?

24 Q. Well, that supervise the programs for  
25 marketing the company through sports events and

1 things of that nature?

2 A. Well, I'm not sure what you're asking.  
3 Like people who just oversee it or...?

4 Q. Yes, yes.

5 A. I would say that the person in charge of  
6 overseeing it is Rick Sanders.

7 Q. Do you recall what his title is?

8 A. He's -- he reports to me. He's Senior  
9 Vice-President, I believe, of Marketing Operations, I  
10 think is his title.

11 Q. Are there any conferences that you attend  
12 during the course of the year related to the tobacco  
13 industry?

14 A. I have attended like the NACS convention.

15 Q. What does that stand for?

16 A. I think it's the National Association of  
17 Convenience Stores.

18 Q. NACS?

19 A. Uh-huh. Yes.

20 Q. And any others?

21 A. I can't remember any others.

22 Q. Have you ever heard of something called a  
23 Maxwell conference?

24 A. I've heard of that.

25 Q. Do you know what it is?

1 A. Not really.

2 Q. Do you know if it's a cigarette industry  
3 conference?

4 A. I don't.

5 Q. I take it you've never attended one?

6 A. I don't -- no, I don't -- no, I'm not  
7 really sure what it is.

8 Q. Okay. Does RJR have something called a  
9 Partners program?

10 A. Yes.

11 Q. Do you know when the Partners program  
12 began?

13 A. No, I couldn't tell you.

14 Q. Can you explain how the Partners program  
15 operates?

16 A. Are you talking about our wholesale  
17 Partners program; is that what you're talking about?

18 Q. Yes.

19 A. No, I can't really give you any of the  
20 details on that. I mean, it's generally a program to  
21 keep us competitive at the wholesale level. And  
22 there are components of it, of performance for  
23 wholesalers, things they provide us and service  
24 levels and things that are required of them and then  
25 they earn money as a result of performing those

1 services. That's generally the purpose of it. I  
2 could not tell you the details of it.

3 Q. Does it entail certain obligations on the  
4 part of your wholesalers who participate in it?

5 A. Again, as I said, generally there are  
6 requirements for wholesalers and then, yes, for what  
7 they need to perform for us.

8 Q. Okay. And just generally do you have an  
9 understanding as to what it is that wholesalers who  
10 participate in the program are required to do?

11 A. Generally there's things like work our  
12 promotions, the promotions that we ship them and send  
13 them out to retailers. I think our share performance  
14 is part of it, providing shipment data. There's  
15 probably other things. I just don't know the details  
16 of it.

17 Q. Do you know who they provide shipment data  
18 to?

19 A. To us.

20 Q. To you? Okay.

21 A. I think, yes.

22 Q. And, if you know, how is the Partners  
23 program intended to keep RJR competitive?

24 A. Well --

25 MR. FOUNTAIN: Objection to form.

1 THE WITNESS: This is to keep us  
2 competitive at the wholesale level.

3 MR. ASHER: Okay.

4 THE WITNESS: And it's so that we get the  
5 service level we need so we get our programs worked  
6 by our wholesalers so that they're interested in  
7 helping us meet our business objectives.

8 BY MR. ASHER:

9 Q. Okay. Why is it that you -- or your  
10 company requires wholesalers who are in the Partners  
11 program to provide shipment data?

12 A. So that we can track our performance in  
13 what wholesaler, so we know how they're performing  
14 for us.

15 Q. Are you aware of any wholesalers that do  
16 not participate in the Partners program?

17 A. I can't name one specifically, but I know  
18 there are some who don't.

19 Q. Okay. Which is the one that you  
20 specifically know?

21 A. I said I can't.

22 Q. Oh, you can't. I see.

23 A. I can't name one specifically, but I feel  
24 fairly sure that there are some that don't.

25 Q. Okay. Do you have any idea as to why the



1 ones who don't participate in the Partners program do  
2 not participate in the program?

3 MR. FOUNTAIN: Objection to form, personal  
4 knowledge.

5 THE WITNESS: I don't know.

6 BY MR. ASHER:

7 Q. Did you ever participate in any meetings or  
8 discussions regarding the either failure or refusal  
9 of any RJR customers to participate in the Partners  
10 program?

11 A. No, can't say as I recall any.

12 Q. Were you ever told why certain customers  
13 have either failed or refused to participate in the  
14 Partners program?

15 A. No, I don't really recall any specifics.

16 Q. Are there benefits to customers who  
17 participate in the Partners program that are  
18 conferred by RJR?

19 A. Yes.

20 Q. And what are those benefits?

21 A. Well, there's a payment.

22 Q. Okay. Cash payment?

23 A. I don't know the specifics of how they pay  
24 them, but...

25 Q. Okay. The cash --

1 A. They earn dollars. (Laughter)

2 Q. Okay. And are you aware of any other  
3 benefits of participating in the Partners program?

4 A. To the wholesaler you mean?

5 Q. Yes, benefits conferred by RJR to the  
6 wholesaler.

7 A. I don't know. There may be others. I...

8 Q. Okay. Now, you also have a Partners  
9 program with retailers?

10 A. We have retail contracts.

11 Q. Okay.

12 A. Yes.

13 Q. And these are contracts between RJR and  
14 its -- and retailers?

15 A. Yes.

16 Q. Are all retailers that sell RJR products  
17 required to sign the contract with the company?

18 A. What do you mean, just because they have  
19 our products in their store do they have a contract?

20 Q. Yes.

21 A. No, that's not necessarily true.

22 Q. Okay. I'm sorry --

23 A. I mean, a retailer can buy product from a  
24 wholesaler. They don't necessarily have to have a  
25 contract with us.

1 Q. I'm sorry. I thought you just said a  
2 second ago, and maybe I misheard, that you have a  
3 program, either contract problem -- excuse me, that  
4 you have contracts with certain retailers; is that  
5 correct?

6 A. Yes.

7 Q. Okay. And when you say that "you," meaning  
8 RJR, has contracts with retailers, what contracts are  
9 you referring to?

10 A. Merchandising kind of contracts, what kind  
11 of distrib -- for distribution and display and  
12 signage in the store.

13 Q. Under these contracts, to the extent you  
14 understand them, does it require the retailers to do  
15 certain things?

16 A. Yes.

17 Q. Okay. And what, in general, does it  
18 require the retailers to do?

19 A. Generally it's about the distribution, the  
20 communication of our brands, the display of our  
21 brands in the store, the promotion of our brand.

22 Q. And, in general, does the contract require  
23 that retailers take certain steps to promote RJR  
24 brands?

25 A. I don't know what you mean by "certain

1 steps".

2 Q. Well, does it require them to promote RJR  
3 brands?

4 A. If they agree, it might require them to  
5 take the promotions that we provide.

6 Q. Okay. And under the contracts, what does  
7 RJR do for the retailers who sign these contracts?

8 A. Well, they get promotions that other stores  
9 might not get, they get payment.

10 Q. Do you have any understanding as to what  
11 percentage of retailers that sell RJR products are  
12 signatories to these contracts?

13 A. Of all retailers that sell -- what percent  
14 of all retailers do we have on contract?

15 Q. Yes.

16 A. I don't know the number of all retailers.

17 Q. Well, do you know if most retailers are  
18 signatories to these contracts?

19 A. Well, there's so many small retailers,  
20 little retailers, that have -- I just don't even know  
21 exact count. There's a lot, I'm sure, that aren't  
22 because there's so many small retailers around the  
23 country.

24 Q. What are these contracts with retailers  
25 called within the company?

1 A. Generally merchandising contracts we call  
2 them.

3 Q. Have you ever heard of an entity known as  
4 Management Science Associates?

5 A. MSA?

6 Q. MSA, yes.

7 A. Yes.

8 Q. Does your company have any business  
9 dealings with MSA?

10 A. Yes.

11 Q. And what is the nature of those business  
12 dealings?

13 A. Well, they're the ones who -- we provide  
14 what our shipments are and other companies provide  
15 what their shipments are, and they provide back the  
16 data on shipments from manufacturers to direct  
17 customers.

18 Q. Is the information which you receive --  
19 your company receives from MSA broken down by  
20 particular manufacturer?

21 A. Yes.

22 Q. So your company gets information as to the  
23 sales, the volume of sales, of other manufacturers;  
24 is that right?

25 A. That's right.

1 Q. Okay. Does it get information as to the  
2 price at which products are sold by your competitors?

3 A. From MSA you mean?

4 Q. Yes.

5 A. No.

6 Q. It gets information as to volume, but not  
7 as to price; is that right?

8 A. Right.

9 Q. What other information, other than volume  
10 information, is provided by MSA?

11 A. I don't know of any.

12 Q. The volume information, is it broken down  
13 by brand?

14 A. Yes.

15 Q. Okay. So with respect to Philip Morris,  
16 for example, you would receive separate volume  
17 information regarding each of Philip Morris' brands;  
18 is that right?

19 A. I don't know exactly what level of detail  
20 it goes down to, but we get by brand.

21 Q. Okay. Do you get information by brand and  
22 geographic location?

23 A. I suspect so. I don't know for sure.

24 Q. Do you --

25 A. Yeah. I would think so.

1 Q. Do you receive or have access to the MSA  
2 reports?

3 A. Yes.

4 Q. Okay. How frequently do they come?

5 A. Well, we review what we shipped every week  
6 once a week.

7 Q. When you say you review what you ship, what  
8 do you mean by that?

9 A. Just what our shipments were for the week.  
10 And then there's a lag time in terms of what we find  
11 out what other companies ship, and that will be put  
12 into the report once a week when we look at it, when  
13 we get their information.

14 Q. Okay. You get a report from MSA once a  
15 week; is that right?

16 A. Well, it's not really a report from MSA.  
17 Our internal people get the MSA data and put a report  
18 together for us.

19 Q. I see. And the MSA data which your company  
20 receives includes information regarding sales by your  
21 competitors; is that right?

22 A. Yes, but there's a lag time in terms of  
23 getting that. But as we get it, they put it in and  
24 summarize it.

25 Q. Do you know how long the lag time is?

1 A. I don't remember exactly.

2 Q. Is it a couple weeks?

3 A. Yeah, something like that.

4 Q. But you get your own data more quickly; is  
5 that right?

6 A. Yes.

7 Q. In terms of your own data, do you get that  
8 from your company's internal department or do you get  
9 it back from MSA?

10 A. Well, I suspect both, but we know what we  
11 ship. (Laughter)

12 Q. You know you ship immediately --

13 A. Yes. (Laughter)

14 Q. -- and then you get it back from MSA the  
15 same time you get back that information regarding --

16 A. Competitors.

17 Q. Okay. And the MSA materials that you see  
18 are in the form of reports generated by department  
19 within your company; is that right?

20 A. Yeah, it's not an MSA report; it's a volume  
21 report from an internal group in our company.

22 Q. And which group in your company prepares  
23 these reports based on the MSA data?

24 A. Scott Keith's group.

25 Q. Is the data which your company receives



1 from MSA related entirely to sales by wholesalers of  
2 cigarettes? Let me withdraw that and ask another  
3 question.

4 The volume information which your company  
5 receives from MSA, is that the volume of sales by  
6 wholesalers to retailers?

7 A. No, it's what the man -- MSA is what the  
8 manufacturers ship to their customers.

9 Q. Okay.

10 A. What they sold to their customers. That's  
11 what MSA is.

12 Q. Okay. Does your company receive  
13 information regarding sales by whole -- by cigarette  
14 wholesalers?

15 A. If we have a contract with a wholesaler,  
16 where they've agreed to provide us their shipment  
17 data, then, yes, we receive that shipment data from  
18 them.

19 Q. Okay.

20 A. And that would be what wholesalers ship to  
21 their retail accounts.

22 Q. Okay.

23 A. As opposed to what manufactures ship to  
24 wholesalers, then there's what wholesalers ship to  
25 retailers.

1 Q. Okay. The information that you have from  
2 wholesalers, does that come to your company directly  
3 from the wholesalers, or does it come through MSA or  
4 some other entity?

5 A. I don't believe it comes from MSA, but I  
6 couldn't tell you the exact inner-workings. I don't  
7 know.

8 Q. Okay. And this information regarding  
9 wholesaler sales, is that volume information?

10 A. Yes.

11 Q. Is it also price information?

12 A. No.

13 Q. Does it give you the amount of sales by  
14 each of your wholesalers during a certain period of  
15 time?

16 A. If a wholesaler has agreed to give us their  
17 data, it includes that wholesaler.

18 Q. Okay. And all participants in the Partners  
19 program have agreed to give you their data; is that  
20 right?

21 A. I believe that's right.

22 Q. Okay. So this information would include  
23 information from all of your customers except for  
24 those who are not in the Partners program; is that  
25 right?

1 A. I think that's right.

2 Q. Okay. And does the information which you  
3 receive under the Partners program regarding your  
4 wholesaler sales, does that have any price  
5 information at all?

6 A. No.

7 Q. Just volume?

8 A. It's volume.

9 Q. And broken down by brand?

10 A. Yes, broken down by brand.

11 Q. Okay. Do you receive from any source  
12 information regarding sales by wholesalers of  
13 products other than RJR products?

14 A. Yes. The wholesalers report not only what  
15 they sold to retail of our shipments, but competitors  
16 as well.

17 Q. Do you know if your wholesalers are  
18 required to transmit information regarding their  
19 sales to MSA? You have your wholesalers that report  
20 to MSA?

21 A. I don't know. I don't have any idea.

22 Q. Do you know if your company, RJR, reports  
23 to MSA information which it receives from its  
24 wholesalers regarding their sale of products to  
25 retailers?

1 A. Not that I know of.

2 Q. Does your company provide information to  
3 any other companies, that is, other than MSA,  
4 regarding its sales of cigarettes?

5 A. Well, we report -- you know, like we will  
6 report in our quarterly earnings report how much  
7 volume we ship. I mean, that's public.

8 Q. Right. But when you say, "report," that's  
9 within -- that's a company disclosure; is that right?

10 A. No, no. We put out a press release on a  
11 quarterly basis of our earnings and shipments and  
12 share.

13 Q. Okay.

14 A. I mean, that's public -- put out to the  
15 public.

16 Q. Have you heard of a company known as  
17 A.C. Nielsen?

18 A. Yes.

19 Q. Do you -- does your company receive any  
20 sales information from A.C. Nielsen?

21 A. No.

22 Q. Does your company provide any information  
23 to A.C. Nielsen?

24 A. No, not that I'm aware of.

25 Q. Have you heard of a company known as IRI?

1 A. Yes.

2 Q. And does your company have a business  
3 relationship with IRI?

4 A. Yes. They're one of the suppliers for our  
5 MARLIN system.

6 Q. And what is your MARLIN system?

7 A. It's a sample of retail stores that give us  
8 an estimate of the -- what consumers are buying from  
9 retailers, smokers are buying from retailers, so  
10 what's our share of market from retail to smokers.

11 Q. Okay. Does -- can you spell MARLIN?

12 A. M-A-R-L-I-N.

13 Q. And does that stand for something?

14 A. I think it does, but I couldn't tell you  
15 what it is. (Laughter)

16 Q. Okay. Now, what is the relationship  
17 between MARLIN and IRI?

18 A. IRI is a supplier that's involved in  
19 creating that sample of retail stores to give us a  
20 projection on what our share of market is among  
21 consumers on a monthly basis.

22 Q. This is based on information supplied by  
23 retailers?

24 A. Yes.

25 Q. Okay. And the retailers, as far as you

1 understand, to whom do they provide this information?

2 A. To these outside suppliers that we contract  
3 with.

4 Q. And that would be IRI, which operates the  
5 MARLIN system?

6 A. IRI is a part of it. There are -- there's  
7 another supplier as well.

8 Q. Capstone?

9 A. Yes.

10 Q. Okay. Are they the two suppliers of  
11 information to you?

12 A. I think so. I think those are the two.

13 Q. So IRI and Capstone obtain information from  
14 retailers regarding their sales and transmit it to  
15 your company?

16 A. I don't know the exact inner-workings of  
17 the transmission. But, yes, we hire them to get this  
18 information and then we get it back in terms of what  
19 our share of market is.

20 Q. And your company pays IRI for the  
21 information which it supplies?

22 A. Yes.

23 Q. And it pays Capstone for the information  
24 which it supplies?

25 A. Right.

1 Q. And as far as you know, IRI and Capstone  
2 are separate companies?

3 A. I think so.

4 Q. Do you know, is there any differences  
5 between the type of information supplied by IRI and  
6 the type of information supplied by Capstone?

7 A. As I recall, and I'm not the expert on  
8 this, but, as I recall, IRI is more about scanning  
9 data and maybe Capstone does more of the actual  
10 audits, where they have to go into the store and  
11 physically look at the inventory that went in and out  
12 and what the store sold.

13 Q. Do you know if they both -- does IRI and  
14 Capstone both supply information on a nationwide  
15 basis or whether they have special geographic areas  
16 that they supply for?

17 A. I think they're both involved in building  
18 the national sample. It's a sample again, so it's  
19 not everywhere, it's a sample.

20 Q. Did you know if IRI and Capstone are  
21 separate companies or whether there's some  
22 relationship between them?

23 A. You already asked me that, and I think  
24 they're separate, but, you know, I'm not certain.

25 Q. Does your -- do the contracts that your

1 company has with certain retailers, which you  
2 described earlier, do those contracts require the  
3 retailers to provide information to IRI and Capstone?

4 A. No.

5 Q. Do you know if IRI or Capstone compensate  
6 the retailers for the information which is provided  
7 to them?

8 A. I don't know what the arrangement is.

9 Q. Do you receive the IRI and Capstone  
10 information?

11 A. I receive the MARLIN report, which puts  
12 together this sample which shows our share of  
13 market. And it's a report, again, internally  
14 generated.

15 Q. Is MARLIN an RJR term or is that a general  
16 industry term, if you know?

17 A. Well, I believe we created that term. We  
18 created this system.

19 Q. Okay. So it's a system which RJR created  
20 which consists, at least in part, of the IRI and  
21 Capstone information; is that right?

22 A. Right.

23 Q. Okay. And does the MARLIN report contain  
24 any information other than the IRI and Capstone  
25 information regarding the volume of sales?



1 A. Well --

2 Q. I'm sorry, by retailers.

3 A. Again, it's an internal report. To  
4 generate the report internally, I'm -- they get the  
5 Capstone and IRI -- you'd have to ask them exactly  
6 how they do it and how they receive it. I don't  
7 know. But I get the MARLIN report, which has a share  
8 of market and a lot of other measures as well.

9 Q. And how frequently do you receive the  
10 MARLIN report?

11 A. Monthly.

12 Q. And you receive it from Scott Keith's  
13 office?

14 A. Yes.

15 Q. And it contains information regarding RJR  
16 brands and competitor's brands as well?

17 A. Yes.

18 Q. And does it break down sales for the month  
19 by region?

20 A. We have -- it -- you can. You can break it  
21 down -- it's built to represent state, at the kind of  
22 state level. So you can break it down to a group of  
23 states, to a region, to a -- the total U.S. It has  
24 the ability to be broken down geographically.

25 Q. And the basic information that it provides

1 is the volume of sales of different brands of  
2 cigarettes in different states or other regions; is  
3 that correct?

4 A. Well, it starts with here in the total  
5 U.S., here's what we project --

6 Q. Right.

7 A. -- the share of market is for each and  
8 every brand. And then there's -- you look at by  
9 outlet type, you can look at that share of market, or  
10 you can look at it by geography. And then beyond  
11 share of market there are a lot of other measures as  
12 well.

13 Q. What are the other measures?

14 A. Oh, there are things like percent of the  
15 volume that we sold that was displayed in the store,  
16 how much was on display, how much was promoted, what  
17 was the retail selling price of the brand for that  
18 period, the percent of volume that was on  
19 buy-some-get-some-frees, the -- I don't know, there's  
20 a bunch of measures like that.

21 Q. Okay.

22 MR. ASHER: Do you want to take a break for  
23 a few minutes?

24 MR. FOUNTAIN: Sure.

25 VIDEO TECHNICIAN: Off the record at 2:05.

1 (Off the record.)

2 (Mr. Marsch left the deposition.)

3 VIDEO TECHNICIAN: We're back on the record  
4 at 2:28.

5 BY MR. ASHER:

6 Q. Ms. Beasley, does your company sell its  
7 products to the United States military?

8 A. Yes.

9 Q. Okay. And this is for sale in PX stores?

10 A. Yes, commissaries, PX stores.

11 Q. Commissaries, uh-huh. In those  
12 transactions, if you know, is the buyer the  
13 Department of Defense or some other entity?

14 A. I don't know.

15 Q. Do you know if those sales are direct to  
16 the military or whether they go through the  
17 wholesaler in the territory in which the installation  
18 is located?

19 A. I don't know.

20 Q. Do you know whether the prices at which  
21 your company sells products to the military is the  
22 same as the prices at which your company sells to  
23 other customers?

24 A. I'm not sure.

25 Q. Do you know if there are any special

1 pricing programs for military sales?

2 A. What do you mean, like special --

3 Q. Well, are the prices which your company  
4 sets for sales to its other customers, do they apply  
5 to military sales or are there special prices for  
6 military sales?

7 A. I'm not sure.

8 Q. Do you know who at your company is in  
9 charge of military sales?

10 A. No, I'm not sure.

11 Q. Would it be in the sales department?

12 A. Yes.

13 Q. Does your marketing department have any  
14 special programs that are geared towards the U.S.  
15 military?

16 A. Well, you know, sometimes they'll -- the  
17 salespeople will come to me and ask me about  
18 different discounting plans in the military, like how  
19 much promotion do we want to do on each brand in the  
20 military.

21 Q. I think you said at one time that you had  
22 some responsibility for military marketing; is that  
23 correct?

24 A. Yes.

25 Q. Okay. And what were your duties with

1 respect to military marketing at that time?

2 A. I was looking at who was in the military,  
3 what's the profile of smokers in the military, and  
4 what brands of ours they purchase, and what other  
5 promotions we could do that would make sense to build  
6 our share in the military.

7 Q. Were the promotions that you ran in the  
8 military, were they targeted towards the soldier  
9 consumers or towards some other buying or selling  
10 entity?

11 A. Well, generally it was the soldier  
12 consumer, but the commissaries also have shoppers who  
13 are not currently military personnel. So some of the  
14 promotions, like the discounting, would be geared  
15 towards that as well.

16 Q. Do you know if each commissary made its own  
17 purchases from your company or whether there was a  
18 central buying group of commissaries?

19 A. I don't know.

20 Q. Do you have any -- do you know if any of  
21 the commissaries are privately owned or whether  
22 they're all owned or operated by the Department of  
23 Defense?

24 A. I don't know.

25 Q. I'd like to show you a document which was

1 previously marked as Beasley 2042, and I'll mark --  
2 I'll note for the record that it was previously  
3 marked as Exhibit 2015 at the Johnston deposition,  
4 and I believe also marked as an exhibit at the  
5 Shindler deposition.

6 (Exhibit Number 2042 was marked for  
7 identification.)

8 (Document handed to witness for review.)

9 MR. FOUNTAIN: So it's Beasley 2042?

10 MR. ASHER: Beasley 2042, yes.

11 (Witness reviews document.)

12 BY MR. ASHER:

13 Q. Ms. Beasley, have you ever seen this  
14 document before?

15 A. I don't recall ever seeing it before.

16 Q. All right. This is a document produced by  
17 your company, R.J. Reynolds, and it's entitled  
18 History of Manufacturer Increases, and the front page  
19 is entitled "Manufacturer Price Increases - Major  
20 Brands." Do you see that?

21 A. I see that.

22 Q. Okay. And then it has columns going from  
23 left to right, Year, Month, Increase Per Thousand,  
24 Increase Per Pack, and Company Initiating. Do you  
25 see that?

1 A. I see that.

2 Q. I'd like you to look down, move towards the  
3 bottom of the page, beginning in 1997.

4 A. Uh-huh.

5 Q. Do you see where it says 1997?

6 A. I do.

7 Q. Okay. And in March '97, there's an  
8 increase of \$2.50 per thousand. Do you see that?

9 A. I see that.

10 Q. And that was initiated by RJR, according to  
11 this memo, is that correct?

12 A. Right.

13 Q. Okay. Do you recall that RJR-led price  
14 increase?

15 A. Yes.

16 Q. And do you recall why it was that RJR  
17 decided to lead a price increase at that time?

18 A. No, I don't.

19 Q. Do you recall how RJR determined the amount  
20 of the price increase which it would lead?

21 A. No.

22 Q. Do you recall who participated in the  
23 decision to lead that price increase?

24 A. No.

25 Q. Do you recall whether the other cigarette

1 manufacturers followed that price increase?

2 A. I can't recall exactly what happened, but,  
3 as I recall, we led a price increase and Philip  
4 Morris did not follow for, I don't know, two or three  
5 weeks. And then when they did follow, they raised  
6 the amount. That's my recollection.

7 Q. Uh-huh. Do you know why Philip Morris did  
8 not follow the price increase, at least initially?

9 A. No.

10 MS. GALVANI: Object to form.

11 BY MR. ASHER:

12 Q. Was that the last price increase that RJR  
13 led?

14 A. Yes.

15 Q. Do you know why it was that after that  
16 price increase, RJR decided not to lead any more  
17 price increases?

18 MR. FOUNTAIN: Objection to form,  
19 foundation.

20 (The following portion has been deemed  
21 Confidential and bound under separate cover.)  
22  
23  
24  
25



1 BY MR. ASHER:

2 Q. Okay. Now, I'd like you to turn to the  
3 next page, second page of the document, where it  
4 says, "Pricing History Of Full Price." Do you see  
5 that?

6 A. At the top of the page you mean?

7 Q. Yes.

8 A. Yes.

9 Q. Okay. And the first three columns it says,  
10 "RJR," and it gives the notice date, the effective  
11 date, and the new price and the amount of the  
12 increase. Do you see that?

13 A. Yes. I see that.

14 Q. Okay. So, for example, if you look at  
15 August 29, '97 on the left-hand column where it says,  
16 Notice Date, do you see that, 8/29/97?

17 A. Okay. I'm there.

18 Q. Okay. That indicates that RJR gave notice  
19 on 8/29/97 with an effective date of September 2 of a  
20 \$3.50 price increase. Do you see that?

21 A. Yes, I see that.

22 Q. And if you look over to the next column, PM  
23 for Philip Morris, it indicates that Philip Morris  
24 gave notice on August 29th, '97 of a price increase  
25 effective September 2nd, '97 in the same amount of

1 \$3.50; is that correct?

2 A. Yes, that's what this says.

3 Q. Okay. And from the previous page, we know  
4 that, according to the RJR document, that Philip  
5 Morris led that price increase; is that right?

6 MS. GALVANI: Objection to form.

7 THE WITNESS: Yes.

8 BY MR. ASHER:

9 Q. Okay. Now, so that means that Philip  
10 Morris announced a price increase on August 29th and  
11 RJR followed it the same day; is that correct?

12 MS. GALVANI: Objection as to form.

13 THE WITNESS: That's what this says, yes.

14 BY MR. ASHER:

15 Q. Okay. And does that comport with your  
16 recollection?

17 A. I can't remember the exact dates.

18 Q. Okay. Well, is it your general impression  
19 that with respect to the price increases that  
20 occurred during this time period RJR followed Philip  
21 Morris' lead the same day?

22 MS. GALVANI: Objection as to form.

23 THE WITNESS: We -- I think we followed  
24 fairly quickly. I don't know if in every case it was  
25 the same day or not. I just can't remember.

1 Q. So you --

2 A. I think a lot of them would.

3 Q. Okay. Has it been your experience, at  
4 least since '97, that when RJR and Philip Morris went  
5 up, the others followed?

6 A. I don't remember the exact order, but it --  
7 I think it ended up usually, at least in the premium  
8 category, now in the branded savings category, that  
9 it hasn't happened. But in the premium category, I  
10 think, you know, there may be a timing difference,  
11 but eventually everybody follows.

12 Q. Okay. Now, just to move up from -- we were  
13 looking at the 8/29, can you look at the 1/23/98  
14 increase. Do you see that?

15 A. Twenty-three. Okay. I see it.

16 Q. Okay. And Philip Morris led and went up a  
17 dollar-twenty-five on January 23rd; is that right?

18 MS. GALVANI: Objection, foundation.

19 BY MR. ASHER:

20 Q. You received notice on January 23rd of a  
21 one-twenty-five increase; is that right?

22 A. That's what this says.

23 Q. Right. And RJR, which followed, announced  
24 an increase of the same amount, dollar-twenty-five,  
25 on that same date, January 23rd; is that correct?

1 A. That's what this says.

2 Q. Okay. And if you go up to the next one, on  
3 April 3rd, '98, Philip Morris announced a price  
4 increase on April 3rd of \$2.50 for full-priced  
5 brands, and RJR announced a price increase the same  
6 day for the same amount. Do you see that?

7 MS. GALVANI: Objection to foundation.

8 THE WITNESS: I see that it says that.

9 BY MR. ASHER:

10 Q. And does this comport with your  
11 recollection?

12 A. Again, I can't remember if we followed the  
13 exact day or not. I just can't recall. As I already  
14 said, we followed quickly, we already had the  
15 analysis done, it just meant convening and  
16 reaffirming where we were. And it could have been  
17 the same day. I haven't gone back and verified that  
18 myself.

19 Q. Okay. If you go up the ladder to the next  
20 price increase, do you see that Philip Morris  
21 announces May 8th, '98 a price increase of \$2.50? Do  
22 you see that?

23 MS. GALVANI: Objection, foundation.

24 THE WITNESS: I see it says that.

25 BY MR. ASHER:

1 Q. Okay. And according to this, RJR follows  
2 three days later with an announcement on May 11th.  
3 Do you see that?

4 A. I see it says that.

5 Q. Okay. And do you have any recollection as  
6 to why, in this instance, RJR waited three days to  
7 follow the increase rather than doing it the same  
8 day?

9 A. No. I mean, I don't even know if it was  
10 three days. I know it says that here, and it may  
11 have been, but I can't recall.

12 Q. Do you recall if there was some particular  
13 reason that RJR may have hesitated or whether it just  
14 couldn't assemble the necessary people to make a  
15 decision?

16 A. It could have been any of that. You know,  
17 I don't know.

18 Q. Okay. If you just move up to the next one,  
19 on July 31st, according to this document, Philip  
20 Morris announces a price increase for full-priced  
21 brands of \$3.00 and RJR follows the same day. Do you  
22 recall that?

23 A. No, I don't recall the specifics.

24 Q. Okay. Do you recall the reason for that  
25 price increase?

1 A. No, I -- I don't know. It may have... I  
2 don't know if that was -- probably -- I don't know.

3 Q. Okay.

4 A. I can't recall. (Laughter)

5 Q. Do you recall any particular deliberations  
6 relating to the July 31st, '98 announcement?

7 A. No, not specifically.

8 Q. Okay. If you look at the next price  
9 increase, moving up, Philip Morris announces a \$22.50  
10 price increase on November 23, '98 and RJR matches  
11 the same day. Do you see that?

12 A. I see --

13 MS. GALVANI: Objection, foundation.

14 BY MR. ASHER:

15 Q. And twenty --

16 A. I see it says that.

17 Q. Okay. And do you have any reason to think  
18 that this is not accurate?

19 A. I don't. I just don't know.

20 Q. Okay.

21 A. I don't recall it specifically.

22 Q. All right. And in the context of the other  
23 price increases, \$22.50 is fairly substantial; is  
24 that right?

25 A. Yes, it is.

1 Q. Okay. And do you recall if that \$22.50  
2 increase was consistent with the price increase  
3 projected in your company's operating report for  
4 1998?

5 A. I don't remember if it was consistent or  
6 not. But I know that that was around the Master  
7 Settlement Agreement time and that pricing was needed  
8 in part for that.

9 Q. Do you recall how long your company  
10 deliberated before making the decision to raise  
11 prices \$22.50?

12 A. Well, we deliberate continuously. I mean,  
13 we were ---

14 Q. Right. But with respect to this -- this  
15 particular increase, do you recall how much -- how  
16 long it took your company to make the decision to  
17 implement that price increase?

18 A. No. But, again, we were doing lots of  
19 analysis up to that point. So it isn't like it was  
20 just you have to start the analysis then. We had  
21 lots of scenarios, analysis about the whole picture,  
22 like I explained earlier.

23 Q. Right. But with respect to this \$22.50  
24 price increase, do you know how long it took from the  
25 time you learned that Philip Morris announced to the

1 time you announced?

2 A. No, I don't recall exactly, no.

3 Q. Do you recall it occurred on the same day?

4 A. It may have. You know, I just can't recall  
5 specifically.

6 (The following portion has been deemed  
7 Confidential and bound under separate cover.

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1 Q. Do you recall the amount of that?

2 A. I think it was \$7.00.

3 Q. Did you follow the same day?

4 A. I think so, yes.

5 Q. Did any of these price increases that we  
6 looked at relate to the settlement of any litigation?

7 A. Well, again, you know, specifically for  
8 Philip Morris, I don't know what they were taking  
9 into account. But for us, we look at for the year,  
10 you know, MSA payments, the taxes, the promotion, the  
11 discounting, other costs, volume. All of those  
12 factors go into our pricing decisions.

13 Q. Now, your pricing decisions that were set  
14 forth in the annual report, did each of them comport  
15 to the price increases which are reflected in this  
16 document?

17 A. Oh, no, absolutely not. In fact, they were  
18 probably all wrong. I'd have to go back and look,  
19 but I suspect they were all wrong.

20 Q. So when you make your decision to follow  
21 Philip Morris, it really doesn't matter what was in  
22 your operation report; is that right?

23 A. Oh, yeah --

24 MS. GALVANI: Objection, foundation.

25 THE WITNESS: Absolutely. All the analysis

1 we've done matters a lot when we make a decision to  
2 follow or not because a lot of other things change,  
3 too. Like, okay, promotion and discounting goes way  
4 up. You have a much bigger expense in the  
5 marketplace because you have to match that because  
6 that's essentially price in-store as well. So it's  
7 not like price is the only factor that changes.  
8 There are all kinds of things that change since you  
9 put that plan together.

10 BY MR. ASHER:

11 Q. So that takes a lot of study and analysis  
12 to determine what changes have occurred in the  
13 marketplace from the time that you prepare your  
14 operation report between July and November and the  
15 time of the actual price increase; is that right?

16 A. I'm not -- I really don't know what you  
17 asked there.

18 Q. Well, in terms of deciding whether to  
19 follow Philip Morris or not, you've got to analyze  
20 the changes that took place in the marketplace from  
21 the time that your operation report is issued  
22 until the time that you actually are confronted with  
23 the Philip Morris price increase?

24 A. Are you talking about the operating plan --

25 Q. The operating plan, yes.

1 A. -- when you say the operations?

2 Q. Yeah I'm sorry, the operating plan.

3 A. Yeah. We put the operating plan together,  
4 but the day the operating plan is done, things are  
5 already changing.

6 Q. Right.

7 A. And on an ongoing basis, we're updating for  
8 what's changed. I mean, literally, of course,  
9 because you're forecasting things, they immediately  
10 change. Whether it's share of market or volume or  
11 spending on promotion and discounting by competitors,  
12 I mean, that's -- it's changing continuous because  
13 you made a forecast and it changes because -- for  
14 example, on promotion spending and discounting, we're  
15 trying to not be at a higher price than Philip Morris  
16 in-store because we lose share if we are. So if they  
17 take promotion and discounting up in-store, we try  
18 and take promotion and discounting up in-store so we  
19 will not be at a higher price than they are and lose  
20 share. That's happening every day. And that affects  
21 our costs. It drives costs up. It changes the  
22 equation of where we are.

23 Q. In preparing your operating plan, that's an  
24 analysis which runs from July to November; is that  
25 right?

1 A. That's correct.

2 Q. Okay. And that takes several months to  
3 prepare; is that right?

4 A. That's correct.

5 Q. Okay. And you have to analyze a large  
6 number of factors to determine what you think an  
7 appropriate price increase is; is that right?

8 A. That's right.

9 Q. But when Philip Morris announces a price  
10 increase, it only takes you perhaps a few hours or a  
11 few minutes to decide to match it; is that right?

12 A. What's right is that we've already done all  
13 of the analysis leading up to it. When it happens,  
14 we know whether that -- what's been announced is in  
15 the range of what we need or not.

16 Q. But I thought you said that the price  
17 increases almost never comport with what you expected  
18 they would be in your operating plan.

19 A. That's because the other things don't  
20 either. Volume's different, share of market's  
21 different, promotion and discounting spending  
22 is different. All of the factors move. A plan is  
23 just a prediction on what you think the future will  
24 look like, and of course you're not accurate. Share  
25 of market isn't accurate, volume isn't accurate, the

1 amount of promotion and discounting you'll need in  
2 the marketplace isn't accurate. All those factors  
3 are changing on an ongoing basis, and on an ongoing  
4 basis, we're reanalyzing it and updating it. So when  
5 it comes to the price increase, we've done that  
6 analysis, we know where we are.

7 Q. Okay. And the day that you learn of the  
8 Philip Morris price increase, what document do you  
9 have before you which reflects the updated thinking  
10 of the operating plan that you can turn to to see if  
11 the amount of the Philip Morris price increase  
12 comports with your operating plan?

13 A. Well, I have documents on where -- what is  
14 our latest estimate on what we think coupon and  
15 promotion and discounting spending is, what's our  
16 latest estimate on what we think volume is, what's  
17 our latest estimate on what we think share of market  
18 is, what's our latest estimate on other costs.

19 Q. So when you learn on a particular day that  
20 Philip Morris has raised its prices, you run around  
21 and grab up all these documents --

22 A. No, no.

23 Q. -- and run down the hall to a meeting?

24 A. No, we've already done the analysis; we  
25 know.

1 Q. Okay. And that analysis exists where?

2 A. In all kinds of documents. We have -- you  
3 know, here's the LE for the volume, and her's the LE  
4 for coupon and discounting promotion spending, and  
5 where we are against budget on other spending  
6 categories. I mean, it's ongoing. That's what we  
7 do.

8 Q. Well, on the August 29, 1997 price  
9 increase, when you learned on that day that Philip  
10 Morris had announced the \$3.50 price increase, what  
11 did your numbers tell you was the appropriate amount  
12 of a price increase?

13 MS. GALVANI: Objection, form.

14 THE WITNESS: As I told you, I cannot  
15 recall the specific discussion around each price  
16 increase. I can tell you generally what we look at  
17 and all of the factors we take into account and the  
18 analysis we do each time there is one.

19 BY MR. ASHER:

20 Q. Right. But if I wanted to recreate from  
21 your company's documents to find out the numbers you  
22 had before you to determine whether the \$3.50  
23 announcement made by Philip Morris was within the  
24 range of what you anticipated an appropriate price  
25 increase would be, what documents would I have to

1 look at?

2 A. You'd have to look at all of our documents,  
3 where the other costs are, what our estimate at the  
4 time was of promotion and discount spending, what our  
5 estimate at the time was of volume, what our estimate  
6 of the time was of share of market.

7 Q. And my question is on that day, August  
8 29th, when you learned of the Philip Morris price  
9 increase and had a -- and decided that same day to  
10 follow it, did you gather up all of these documents  
11 and analyze them and make a determination that \$3.50  
12 was the appropriate range of a price increase?

13 A. No. I told you, I've already answered  
14 this, that we are doing that analysis on an  
15 ongoing basis. We're looking at the numbers on  
16 an ongoing basis. We don't have to do it that day,  
17 we know where we are before we get to that day.

18 Q. All right. So which document on August  
19 29th did you look at which said that \$3.50 was within  
20 the appropriate range of price increases which  
21 reflected this ongoing analysis?

22 MR. FOUNTAIN: Objection to form, asked and  
23 answered several times, misstates her testimony.

24 THE WITNESS: Again, I didn't say there was  
25 one specific document. On an ongoing basis, we're

1 updating all of the plan assumptions for where they  
2 are and we're looking at what we're going to need for  
3 the rest of the year. There isn't any one document.  
4 This is all of our documents, which update all of our  
5 business in where we are. We know where we are  
6 before we get to that point. We know what we think  
7 we'll need right now for the future.

8 BY MR. ASHER:

9 Q. So somewhere in your company today, there's  
10 a number on a computer screen or a piece of paper so  
11 that if in five minutes Philip Morris announced a  
12 price increase of a certain amount, you, together  
13 with Mr. Schindler and other people at your company,  
14 could make a rapid determination as to whether the  
15 amount of that price increase was consistent with  
16 your operating plan?

17 MR. FOUNTAIN: Objection, form --

18 BY MR. ASHER:

19 Q. Is that correct?

20 MR. FOUNTAIN: -- misstates her testimony.

21 THE WITNESS: Not consistent with operating  
22 plan, not like that. But if a price increase  
23 happened tomorrow.

24 MR. ASHER: Yes.

25 THE WITNESS: Ken and I, and we've talked



1 about it, we have in our heads what we think would  
2 help us meet our objectives for this year, if there  
3 was another price increase.

4 BY MR. ASHER:

5 Q. So that number's in your head right now,  
6 right?

7 A. Yes.

8 Q. And on these dates, on August 29, '97,  
9 there was a number in your head at that time?

10 A. I told you -- there probably was. We'd  
11 probably been talking about it, but I cannot remember  
12 specific conversations and discussions around these  
13 years-ago price increases. I just can't. I mean,  
14 you're asking me to recreate what we do every day,  
15 and I can't recall every conversation.

16 Q. Well, is it probably the case that with  
17 respect to each of these price increases that we've  
18 been looking at where you follow Philip Morris, you  
19 know, usually the same day, you had in your mind the  
20 amount of what an appropriate price increase would be  
21 so that when you learned of the Philip Morris, you  
22 would know whether you were going to follow or not?

23 MR. FOUNTAIN: Objection to form.

24 THE WITNESS: Again, we don't know if  
25 they're going to follow until it actually happens.

1 But before it happens, we've analyzed our plan, we've  
2 updated our numbers, we know if we're falling short  
3 on our objectives or not. We know if another price  
4 increase is needed, at least for us to make our  
5 objectives.

6 BY MR. ASHER:

7 Q. And your testimony is that on any given  
8 day, that number exists in your mind, but not  
9 necessarily on a piece of paper; is that right?

10 MR. FOUNTAIN: Objection, misstates her  
11 testimony.

12 THE WITNESS: Again, there are a lot of  
13 pieces of paper that come together on this. There  
14 are updates on our volume, on our share of market, on  
15 our costs, on promotion and coupon and discounting  
16 and where that stands and what we think we'll have to  
17 do for the rest of the year. And Ken is updating  
18 where we think we are on our earnings objective,  
19 given all of those factors. We do that on an ongoing  
20 basis.

21 BY MR. ASHER:

22 Q. What documents reflect this ongoing  
23 analysis?

24 A. There are documents that show what  
25 our latest estimate is on volume, what our

1 latest estimate is on share of market, what  
2 our latest estimate is on earnings, what our  
3 latest estimate is on couponing and discounting and  
4 those costs.

5 Q. And are these documents printed out from  
6 time to time?

7 A. Yes.

8 Q. Okay. Is there any regular schedule under  
9 which these documents are printed up?

10 A. I wouldn't say it's a regular schedule.  
11 I'd say it's ongoing.

12 Q. Uh-huh.

13 A. You know, where there's new information, we  
14 change it, we update it.

15 Q. On each of these occasions in which your  
16 company followed the Philip Morris price increase,  
17 was the amount of the Philip Morris price increase  
18 within the parameters of your ongoing price analysis?

19 MS. GALVANI: Objection to form and  
20 foundation.

21 THE WITNESS: I don't know what you mean by  
22 "ongoing price analysis." What it is -- what they  
23 were consistent with is what we felt we needed in  
24 order to cover our costs and meet our earnings  
25 objective.

1 MR. ASHER: Okay. Thank you very much.

2 MS. GALVANI: I have a few questions.

3 MR. ASHER: Sure, go ahead.

4 EXAMINATION BY COUNSEL FOR PHILIP MORRIS

5 BY MS. GALVANI:

6 Q. Mrs. Beasley -- Ms. Beasley, I'm sorry, we  
7 met earlier. I'm Ann Galvani, and I represent Philip  
8 Morris. I'd sort of like to bring back some of the  
9 discussion to the issues in this case for a second.  
10 During the course of some of your answers,  
11 you made a number of comments and -- or allegations,  
12 whatever, about Philip Morris and its -- I think you  
13 used the word "dominance" in the marketplace. And  
14 of course Philip Morris disputes those  
15 characterizations. But regardless of whether those  
16 are true or false, have you conspired or otherwise  
17 agreed with your competitors to fix, stabilize, or  
18 maintain the price of cigarettes in the United States  
19 during the time period alleged in this case? And I  
20 guess for discovery purposes, we're looking at  
21 between May of 1992 and February of 2000.

22 A. So can you repeat just the end part of your  
23 question because you said a lot --

24 MR. FOUNTAIN: How about repeat the  
25 question?

1 THE WITNESS: The actual question.

2 BY MS. GALVANI:

3 Q. Have you, Ms. Beasley?

4 A. Uh-huh.

5 Q. Conspired or otherwise agreed with your  
6 competitors to fix, stabilize, or maintain the price  
7 of cigarettes in the United States during the time  
8 period?

9 A. No.

10 Q. And have you conspired or otherwise agreed  
11 with your competitors to maintain market share during  
12 the time period that's alleged in this case?

13 A. No.

14 Q. Did you personally ever discuss future  
15 prices of cigarettes with your competitors?

16 A. No.

17 Q. Have you ever agreed on prices with your  
18 competitors in the cigarette man -- in the -- have  
19 your agreed with other cigarette manufacturers on  
20 prices in advance of any of your price announcements?

21 A. No.

22 MS. GALVANI: Okay.

23 MR. ASHER: I'm sorry, do you have any  
24 questions?

25 MS. LOISEAU: No.

1 MR. ASHER: I think I have a recross  
2 question.

3 EXAMINATION BY COUNSEL FOR PLAINTIFFS

4 BY MR. ASHER:

5 Q. You were asked by counsel for Philip Morris  
6 whether you entered into an agreement to fix or  
7 maintain the price of cigarettes in the United  
8 States. Do you recall being asked that just a moment  
9 ago?

10 A. Yes.

11 Q. Okay. And you understand price-fixing is  
12 when competitors agree pretty much to charge the same  
13 price; is that right?

14 MS. GALVANI: Objection --

15 MR. FOUNTAIN: Well, objection to the  
16 statement of the law and the legal question. But she  
17 can answer to the best of her ability.

18 (The following portion has been deemed  
19 Confidential and bound under separate cover.)  
20  
21  
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1 Q. But it is correct; is that right?

2 MR. FOUNTAIN: Objection --

3 BY MR. ASHER:

4 Q. That you raised your prices by the same  
5 amount at the same time as Philip Morris?

6 MR. FOUNTAIN: Objection, asked and  
7 answered.

8 BY MR. ASHER:

9 Q. Just answer that question.

10 A. I just did.

11 Q. And the answer is yes, right?

12 A. The answer is, based on our analysis of our  
13 business and what's best for our business and all the  
14 factors that go into it, each time there's a pricing  
15 decision, we make a decision whether to follow with  
16 Philip Morris or not and we, in fact, have in the  
17 time period you were talking about for the reasons  
18 I've articulated.

19 Q. Okay. And if there had been a price-fixing  
20 agreement between your company and Philip Morris, it  
21 would have also indicated that prices were raised by  
22 the same amount at the same time; isn't that correct?

23 MS. GALVANI: Objection to form.

24 MR. FOUNTAIN: Objection to form,  
25 hypothetical.

1 THE WITNESS: I have no idea. I have no  
2 idea how a price-fixing scheme works. I've never  
3 been involved in one.

4 MR. ASHER: Thank you. I have no further  
5 questions.

6 MR. FOUNTAIN: Any re-direct?

7 MS. GALVANI: No. I think that takes care  
8 of everything.

9 VIDEO TECHNICIAN: We're off the record at  
10 3:15.

11 (Signature reserved.)

12 (Whereupon, at 3:15 p.m., the taking of the  
13 instant deposition ceased.)

14

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16

*Spencer J. Beasley*

Signature of the Witness

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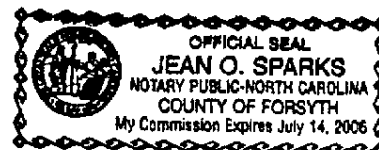
SUBSCRIBED and SWORN TO before me this 24 day  
of August, 2001.

*Jean O. Sparks*

NOTARY PUBLIC

My commission expires: 7-14-2006

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52614 6902



## 1 E R R A T A S H E E T

2 RE: Holiday Wholesale vs. Philip Morris, et al  
3 DEPOSITION OF: LYNN BEASLEY, Volume I

4 Please read this original deposition with  
5 care, and if you find any corrections or changes you  
6 wish made, list them by page and line number below.  
7 DO NOT WRITE IN THE DEPOSITION ITSELF. Return the  
8 deposition to this office after it is signed. We  
9 would appreciate your prompt attention to this  
10 matter.

11 To assist you in making any such  
12 corrections, please use the form below. If  
13 supplemental or additional pages are necessary,  
14 please furnish same and attach them to this errata  
15 sheet.

16 Page 8 Line 12 should read:

17 on the Salem brand, I

18 Page 13 Line 6 should read:

19 part of the time, have been Dave Tauco,

20 Page 16 Line 20 should read:

21 develop the ideas in Creative.

22 Page 25 Line 11 should read:

23 business analysis forecasting group

24 Page 28 Line 16 should read:

25 Andy Schindler

1 Page 29 Line 2 should read:

2 If I recall, Jim Schroer left, and then

3 Page 34 Line 8-9 should read:

4 Oh, people other than my direct reports attend

5 Page 37 Line 13 should read:

6 So what you see, though, is you get your

7 Page 47 Line 6 should read:

8 The discussions with Scott are -- we're

9 Page 63 Line 2 should read:

10 We know -- we have an idea -- we have a guess

11 Page 67 Line 20-21 should read:

12 may be worth <sup>a</sup>40 cents per pack difference

13 Page 67 Line 21 should read:

14 , but if it's a 50 cent per pack difference,

15 Page 72 Line 14 should read:

16 .85.00 per thousand on full-price,

17 Page 108 Line 23 should read:

18 As opposed to what manufacturers ship to

19 Page 134 Line 9 should read:

20 hasn't happened. But in the premium category,

21 Page 145 Line 12 should read:

22 -- it's changing continuously because

23 Page 148 Line 3 should read:

24 know, here's the LE for the volume, and here's the L

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# ERRATA SHEET

I wish to make the following changes, for  
the following reasons:

PAGE LINE

151 25 CHANGE: "they're going to follow..."  
REASON: to "we're going to follow..."  
CHANGE: \_\_\_\_\_  
REASON: \_\_\_\_\_  
CHANGE: \_\_\_\_\_  
REASON: \_\_\_\_\_  
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LYNN BEASLEY DEPOSITION

July 28, 2001

ERRATA SHEET

Lapjeka should be changed to Lapiejka in the following places:

Page	<u>41</u>	Line	<u>15</u>
Page	<u>41</u>	Line	<u>20</u>
Page	<u>42</u>	Line	<u>13</u>
Page	<u>48</u>	Line	<u>23</u>
Page	<u>49</u>	Line	<u>2</u>
Page	<u>52</u>	Line	<u>17</u>
Page	<u>55</u>	Line	<u>5</u>
Page	<u>56</u>	Line	<u>3</u>
Page	<u>57</u>	Line	<u>18</u>
Page	<u>60</u>	Line	<u>9</u>

Page	<u>68</u>	Line	<u>1</u>
Page	<u>68</u>	Line	<u>13</u>
Page	<u>74</u>	Line	<u>23</u>
Page	<u>77</u>	Line	<u>1</u>
Page	<u>77</u>	Line	<u>6</u>
Page	<u>80</u>	Line	<u>12</u>
Page	_____	Line	_____
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McGuire should be changed to Maguire in the following places:

Page	<u>41</u>	Line	<u>17</u>
Page	<u>42</u>	Line	<u>14</u>
Page	<u>42</u>	Line	<u>22</u>
Page	<u>75</u>	Line	<u>6</u>
Page	<u>84</u>	Line	<u>12</u>
Page	_____	Line	_____
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Shindler should be changed to Schindler in the following places:

Page	<u>28</u>	Line	<u>16</u>
Page	<u>42</u>	Line	<u>9</u>
Page	<u>74</u>	Line	<u>24</u>
Page	<u>78</u>	Line	<u>4</u>
Page	<u>79</u>	Line	<u>9</u>

Page	<u>85</u>	Line	<u>9</u>
Page	<u>121</u>	Line	<u>5</u>
Page	_____	Line	_____
Page	_____	Line	_____
Page	_____	Line	_____

## 1 CERTIFICATE OF REPORTER

2

3 STATE OF NORTH CAROLINA )

4 COUNTY OF FORSYTH )

5 I, Laura P. Ream, the officer before whom  
6 the foregoing deposition was taken, do hereby certify  
7 that the witness whose testimony appears in the  
8 foregoing deposition was duly sworn by me; that the  
9 testimony of said witness was taken by me to the best  
10 of my ability and thereafter reduced to typewriting  
11 under my direction; that I am neither counsel for,  
12 related to, nor employed by any of the parties to the  
13 action in which this deposition was taken, and  
14 further that I am not a relative or employee of any  
15 attorney or counsel employed by the parties thereto,  
16 nor financially or otherwise interested in the  
17 outcome of the action.

18

19



LAURA P. REAM

20

Court Reporter

21

Notary Public in and for

County of Forsyth

State of North Carolina

22

23 My commission expires February 7, 2006

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Lawyer's Notes

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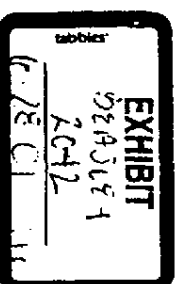


86 (PL35)  
History of Manufacturer Increases

MANUFACTURER PRICE INCREASES - MAJOR BRANDS

YEAR	MONTH	INCREASE PER M <sup>2</sup>	INCREASE PER PACK	COMPANY INITIATING	FET INCREASE
1970	May	\$0.45	\$0.01	ATC	
1973	Feb	\$0.20	\$0.00	PM	
	Dec	\$0.15	\$0.00	RJR	
1974	May	\$0.70	\$0.01	PM	
	Oct	\$0.70	\$0.01	RJR	
1975	Nov	\$0.75	\$0.02	ATC	
1976				RJR	
1977	Aug			RJR	
1978	Jun	\$0.85	\$0.02	B&W	
	Dec	\$0.65	\$0.01	PM	
1979	Jul	\$0.55	\$0.01	RJR	
1980	Dec	\$0.75	\$0.02	PM	
1981	May	\$0.80	\$0.01	RJR	
1982	Nov	\$0.85	\$0.02	PM	
1983	Aug	\$0.85	\$0.02	PM	
1984	Feb	\$0.85	\$0.02	LOR	
1985	Aug/Sep	\$1.00	\$0.03	PM	
1986	Oct/Nov	\$1.50	\$0.03	PM	
1987	Dec	\$4.20	\$0.06	N/A	FET +\$.00pk 1/1/83
1988	Jan	\$1.50	\$0.03	RJR	
1989	Dec	\$0.75	\$0.02	RJR	
1990	Jan	\$1.00	\$0.02	PM	
1991	Jun	\$1.00	\$0.02	RJR	
1992	Dec	\$1.25	\$0.03	PM	
1993	Dec	\$1.00	\$0.02	B&W	
1994	Jun	\$1.25	\$0.03	RJR	
1995	Dec	\$1.50	\$0.04	RJR	
1996	Dec	\$2.00	\$0.04	RJR	
1997	Dec	\$2.50	\$0.05	RJR	
1998	Dec	\$2.50	\$0.05	RJR	
1999	Dec	\$2.50	\$0.05	RJR	
2000	Dec	\$2.50	\$0.05	RJR	

\*Based on 85's



53005 3097

# PRICING HISTORY OF FULL PRICE

RJR			PM			ATC		
Notice Date	Effective Date	85/100'S	Notice Date	Effective Date	85/100'S	Notice Date	Effective Date	85/100'S
1/14/00	1/17/00	\$112.70(+\$6.50)	1/14/00	1/17/00	\$112.70(+\$6.50)			
8/27/99	8/31/99	\$106.20(+\$.99)	8/27/99	8/30/99	\$106.20(+\$.99)			NA
11/23/98	11/24/98	\$97.20(+22.50)	11/23/98	11/24/98	\$97.20(+22.50)			NA
7/31/98	8/5/98	\$74.70(+\$.300)	7/31/98	8/3/98	\$74.70(+\$.300)			NA
5/11/98	5/13/98	\$71.70(+\$.250)	5/8/98	5/11/98	\$71.70(+\$.250)			NA
4/3/98	4/7/98	\$69.20(+\$.250)	4/3/98	4/6/98	\$69.20(+\$.250)			NA
1/23/98	1/26/98	\$66.70(+\$.125)	1/23/98	1/26/98	\$66.70(+\$.125)			NA
8/29/97	9/2/97	\$65.45(+\$.350)	8/29/97	9/2/97	\$65.45(+\$.350)			NA
3/23/97	3/24/97	\$61.85(+\$.250)	3/20/97	3/24/97	\$61.85(+\$.250)			NA
3/6/97	3/7/97	\$61.45(+\$.250)			NC			NA
4/8/96	4/10/96	\$59.45(+\$.200)	4/8/96	4/10/96	\$59.45(+\$.200)			NA
5/4/95	5/5/95	\$57.45(+\$.150)	5/5/95	5/9/95	\$57.45(+\$.150)			NA
11/11/93	11/18/93	\$55.95(+\$.200)	11/11/93	11/15/93	\$55.95(+\$.200)	11/11/93	11/12/93	\$55.95(+\$.200)
		NC			NC			NC
						7/27/93	8/9/93	\$53.45(+\$.18.15)
7/21/93	8/9/93	\$53.95(+\$.18.15)	7/21/93	8/9/93	\$53.95(+\$.18.15)			NC
			7/20/93	8/9/93	\$52.45(+\$.18.65)			
		85'S			85'S			85'S
3/12/93	3/15/93	\$72.10(+\$.1)	3/12/93	3/15/93	\$72.10(+\$.1)	3/13/93	3/22/93	\$72.10(+\$.1)
12/11/92	1/1/93	\$71.10(+\$.2.10)	12/15/92	1/4/93	\$71.10(+\$.2.10)	12/17/92	1/4/93	\$71.10(+\$.2.10)
11/18/92	11/18/92	\$69.00(+\$.2.75)	11/13/92	11/15/92	\$69.00(+\$.2.75)	11/18/92	11/23/92	\$69.00(+\$.2.75)
7/29/92	7/27/92	\$66.25(+\$.2.50)	7/28/92	7/30/92	\$66.25(+\$.2.50)	7/31/92	8/4/92	\$66.25(+\$.2.50)
4/9/92	4/8/92	\$63.75(+\$.2.75)	4/2/92	4/5/92	\$63.75(+\$.2.75)	4/9/92	4/13/92	\$63.75(+\$.2.75)
10/24/91	10/28/91	\$61.00(+\$.2.75)	10/30/91	11/4/91	\$61.00(+\$.2.75)	11/5/91	11/11/91	\$61.00(+\$.2.75)
5/29/91	6/3/91	\$58.25(+\$.1.75)	5/22/91	5/28/91	\$58.25(+\$.1.75)	6/3/91	6/3/91	\$58.25(+\$.1.75)
3/13/91	3/13/91	\$56.50(+\$.0.75)	3/8/91	3/8/91	\$56.50(+\$.0.75)	3/15/91	3/18/91	\$56.50(+\$.0.75)
12/14/90	1/2/91	\$55.75(+\$.0.10)	2/14/91	2/18/91	\$55.75(+\$.0.10)			NC
12/3/90	1/1/91	\$55.65(+\$.2.00)	11/7/90	1/2/91	\$55.65(+\$.2.00)	12/26/90	1/2/91	\$55.75(+\$.2.10)
11/8/90	11/8/90	\$53.65(+\$.2.50)	11/7/90	11/12/90	\$53.65(+\$.2.50)	11/14/90	11/18/90	\$53.65(+\$.2.50)
5/19/90	5/10/90	\$51.15(+\$.2.50)	5/17/90	5/21/90	\$51.15(+\$.2.50)	5/18/90	5/18/90	\$51.15(+\$.2.50)
11/24/89	11/21/89	\$48.65(+\$.2.50)	11/20/89	12/4/89	\$48.65(+\$.2.50)	12/4/89	12/5/89	\$48.65(+\$.2.50)

Note: Before 8/9/93 100mm styles cost \$1.50 more per M than 85mm styles.

53005 3098

RJR - CONFIDENTIAL - SUBJECT TO CONFIDENTIALITY ORDER IN MDL # 1342 AND COMPANION CASES

AB002897

52614 6920

### PRICING HISTORY OF FULL PRICE

B&W(ATC)			LOR			L&M		
Notice Date	Effective Date	85/100'S	Notice Date	Effective Date	85/100'S	Notice Date	Effective Date	85/100'S
1/14/00	1/18/00	\$112.70(+86.50)	1/14/00	1/17/00	\$112.70(+86.50)	1/17/00	1/17/00	\$112.70(+86.50)
8/27/99	8/31/99	\$108.20(+89)	8/27/99	8/31/99	\$108.20(+89)	8/30/99	8/31/99	\$108.20(+89)
11/23/98	11/24/98	\$97.20(+22.50)	11/23/98	11/24/98	\$97.20(+22.50)	11/24/98	12/2/98	\$97.20(+22.50)
8/1/98	8/4/98	\$74.70(+33.00)	7/31/98	8/3/98	\$74.70(+33.00)	8/3/98	8/10/98	\$74.70(+33.00)
5/9/98	5/12/98	\$71.70(+22.50)	5/8/98	5/11/98	\$71.70(+22.50)	5/11/98	5/18/98	\$71.70(+22.50)
	4/6/98	\$69.20(+22.50)	4/3/98	4/6/98	\$69.20(+22.50)	4/6/98	4/13/98	\$69.20(+22.50)
1/23/98	1/27/98	\$66.70(+31.25)	1/23/98	1/28/98	\$66.70(+31.25)	1/28/98	2/2/98	\$66.70(+31.25)
8/30/97	9/2/97	\$65.45(+33.50)	8/29/97	9/2/97	\$65.45(+33.50)	9/2/97	9/3/97	\$65.45(+33.50)
3/29/97	3/24/97	\$61.95(+30.50)	3/21/97	3/24/97	\$61.95(+30.50)	3/21/97	3/24/97	\$61.95(+30.50)
3/18/97	3/17/97	\$61.45(+32.00)	3/7/97	3/8/97	\$61.45(+32.00)	3/10/97	3/18/97	\$61.45(+32.00)
4/9/96	4/11/96	\$59.45(+32.00)	4/9/96	4/10/96	\$59.45(+32.00)	4/9/96	4/29/96	\$59.45(+32.00)
5/5/95	5/5/95	\$57.45(+31.50)	5/7/95	5/8/95	\$57.45(+31.50)	5/8/95	5/9/95	\$57.45(+31.50)
11/9/93	11/15/93	\$55.95(+32.00)	11/10/93	11/10/93	\$55.95(+32.00)	11/9/93	11/15/93	\$55.95(+32.00)
		NC			NC	7/30/93	8/9/93	\$53.95(+31.85)
7/28/93	8/9/93	\$53.45(+31.85)	7/28/93	8/9/93	\$53.45(+31.85)	7/27/93	8/9/93	\$73.60(+31.50)
		NC			NC			NC
		85'S			85'S			85'S
3/28/93	4/1/93	\$72.10(+31)	3/12/93	3/15/93	\$72.10(+31)	3/15/93	3/18/93	\$72.10(+31)
12/11/92	1/1/93	\$71.10(+32.10)	12/18/92	1/4/93	\$71.10(+32.10)	12/18/92	1/4/93	\$71.10(+32.10)
11/14/92	11/16/92	\$69.00(+32.75)	11/13/92	11/16/92	\$69.00(+32.75)	11/17/92	11/19/92	\$69.00(+32.75)
7/30/92	8/3/92	\$66.25(+32.50)	7/24/92	7/27/92	\$66.25(+32.50)	7/31/92	7/31/92	\$66.25(+32.50)
4/9/92	4/9/92	\$63.75(+32.75)	4/3/92	4/6/92	\$63.75(+32.75)	4/6/92	4/7/92	\$63.75(+32.75)
10/26/91	10/29/91	\$61.00(+32.75)	10/28/91	10/29/91	\$61.00(+32.75)	11/2/91	11/5/91	\$61.00(+32.75)
6/9/91	6/10/91	\$58.25(+31.75)	5/24/91	5/24/91	\$58.25(+31.75)	5/31/91	6/3/91	\$58.25(+31.75)
3/23/91	3/22/91	\$56.50(+30.75)	3/18/91	3/18/91	\$56.50(+30.75)	3/18/91	4/1/91	\$56.50(+30.75)
1/28/91	2/1/91	\$55.75(+30.10)	1/25/91	2/1/91	\$55.75(+30.10)	1/30/91	2/1/91	\$55.75(+30.10)
11/28/90	1/2/91	\$55.65(+32.00)	12/21/90	1/1/91	\$55.65(+32.00)	11/12/90	1/2/91	\$55.85(+32.00)
11/8/90	11/8/90	\$53.65(+32.50)	11/8/90	11/8/90	\$53.65(+32.50)	11/12/90	11/14/90	\$53.65(+32.50)
5/8/90	6/1/90	\$51.15(+32.50)	5/11/90	5/14/90	\$51.15(+32.50)	5/18/90	5/18/90	\$51.15(+32.50)
12/6/89	12/5/89	\$48.65(+32.50)	12/1/89	12/1/89	\$48.65(+32.50)	12/4/89	12/6/89	\$48.65(+32.50)

**Note:** Before 2/2/93 100mm styles cost \$1.50 more per lb than 85mm styles.

53005 3099

2

RJR - CONFIDENTIAL - SUBJECT TO CONFIDENTIALITY ORDER IN MDL # 1342 AND COMPANION CASES

AB002898

52614 6921

# PRICING HISTORY OF SAVINGS CATEGORY

RJR				PM			
Notice Date	Effective Date	85/100		Notice Date	Effective Date	85/100	
1/14/00	1/17/00	\$99.20(+\$8.50)		1/14/00	1/17/00	\$99.20(+\$8.50)	
8/27/99	8/31/99	\$92.70(+\$9.00)		8/27/99	8/30/99	\$92.70(+\$9.00)	
11/23/98	11/24/98	\$83.70(+22.50)		11/23/98	11/24/98	\$83.70(+22.50)	
7/31/98	8/5/98	\$81.20(+\$3.00)		7/31/98	8/3/98	\$81.20(+\$3.00)	
5/11/98	5/13/98	\$58.20(+\$2.50)		5/8/98	5/11/98	\$58.20(+\$2.50)	
4/3/98	4/7/98	\$55.70(+\$2.50)		4/3/98	4/6/98	\$55.70(+\$2.50)	
1/23/98	1/25/98	\$53.20(+\$1.25)		1/23/98	1/25/98	\$53.20(+\$1.25)	
8/29/97	9/2/97	\$51.85(+\$3.50)		8/29/97	9/2/97	\$51.85(+\$3.50)	
3/21/97	3/24/97	\$48.45(+\$2.50)		3/20/97	3/24/97	\$48.45(+2.50)	
3/6/97	3/7/97	\$47.95(+\$2.00)				NC	
4/8/96	4/10/96	\$45.95(+\$2.00)		4/8/96	4/10/96	\$45.95(+\$2.00)	
5/6/96	5/6/96	\$43.85(+\$1.50)		5/6/96	5/6/96	\$43.85(+\$1.50)	
11/8/93	11/8/93	\$42.45(+\$2.00)		11/11/93	11/15/93	\$42.45(+\$2.00)	
		NC		8/5/93	8/9/93	\$40.45(+\$5.75)	
		NC		8/3/93	8/9/93	\$34.70(+\$5.75)	
		NC				NC	
7/21/93	8/9/93	\$40.45(+\$12.00)		7/21/93	8/9/93	\$40.45(+\$12.00)	
		NC		7/20/93	8/9/93	\$39.20(+\$13.25)	
		Branded Savings (85)				Branded Savings (85)	
3/15/93	3/15/93	\$52.45(+\$1.00)		3/12/93	3/15/93	\$52.45(+\$1.00)	
12/15/92	1/1/93	\$51.45(+\$2.10)		12/15/92	1/4/93	\$51.45(+\$2.10)	
11/16/92	11/16/92	\$49.35(+\$2.75)		11/13/92	11/16/92	\$49.35(+\$2.75)	
10/1/92	10/5/92	\$48.60(+\$2.50)				NC	
		Branded Generics (85)				Branded Generics (85)	
7/23/92	8/3/92	\$44.10(+\$13.00)	NC	7/28/92	7/30/92	\$48.60(+\$10.50)	\$48.60(+\$2.50)
4/8/92	4/8/92	\$57.10(+\$4.00)	\$44.10(+\$4.00)	4/2/92	4/8/92	\$57.10(+\$4.00)	\$44.10(+\$4.00)
10/30/91	10/28/91	\$53.10(+\$2.75)	\$40.10(+\$4.00)	10/30/91	11/4/91	\$53.10(+\$2.75)	\$40.10(+\$4.00)
5/28/91	6/3/91	\$50.35(+\$4.00)	\$36.10(+\$4.00)	5/22/91	5/28/91	\$50.35(+\$4.00)	\$36.10(+\$4.00)
4/22/91	5/6/91	NC	\$32.10(+\$14.25)*				
		NC	NA			NC	NC
3/13/91	3/13/91	\$48.35(+\$2.50)	NA	3/9/91	3/9/91	\$48.35(+\$2.50)	\$32.10(+\$3.00)
12/21/90	1/2/91	\$43.85(+\$0.10)	NA	2/14/91	2/18/91	\$43.85(+\$0.10)	\$29.10(+\$0.10)
12/3/90	1/1/91	\$43.75(+\$2.00)	NA	11/7/90	1/2/91	\$43.75(+\$2.00)	\$29.00(+\$2.00)
11/8/90	11/8/90	\$41.75(+\$2.50)	NA	11/7/90	11/12/90	\$41.75(+\$2.50)	\$27.00(+\$2.50)
8/18/90	8/22/90	\$39.25(+\$1.00)	NA	5/17/90	5/21/90	\$39.25(+\$2.50)	\$24.50(+\$2.75)
5/16/90	5/10/90	\$38.25(+\$1.50)	NA			NC	NC
	8/1/90	\$38.75	NA		1/1/90	\$38.75	\$21.75

Note: 100 mm styles cost \$1.25 more per M than 85mm styles.  
Magna price reduced \$13 and Sterling reduced \$24.65

For introduction of style 100  
\*\*\* BW reduced the price of GPC

53005 3100

PRICING HISTORY OF SAVINGS CATEGORY

ATC				B&W(ATC)			
Notice	Effective			Notice	Effective		
Date	Date	85/100		Date	Date	85/100	
				1/14/00	1/18/00	\$99.20(+\$6.50)	
		NA		8/27/99	8/31/99	\$92.70(+\$9.00)	
		NA		11/23/98	11/24/98	\$83.70(+22.50)	
		NA		8/1/98	8/4/98	\$81.20(+\$3.00)	
		NA		5/9/98	5/12/98	\$58.20(+\$2.50)	
		NA		4/3/98	4/8/98	\$55.70(+\$2.50)	
		NA		1/23/98	1/27/98	\$53.20(+\$1.25)	
		NA		8/30/97	8/2/97	\$51.95(+\$3.60)	
		NA		3/20/97	3/24/97	\$48.45(+\$0.80)	
		NA		3/13/97	3/17/97	\$47.95(+\$2.00)	
		NA		4/9/96	4/11/96	\$45.95(+\$2.00)	
		NA		5/5/95	5/5/95	\$43.95(+\$1.50)	
11/11/93	11/12/93	\$42.45(+\$2.00)		11/12/93	11/15/93	\$42.45(+\$2.00)	
		NC				NC	
		NC				NC	
		NC				NC	
7/28/93	8/9/93	\$40.45(+\$12.00)		7/28/93	8/9/93	\$40.45(+\$12.00)	
		NC				NC	
		NC				NC	
		Branded Savings (85)				Branded Savings (85)	
3/18/93	3/22/93	\$52.45(+\$1.00)		3/29/93	4/1/93	\$52.45(+\$1.00)	
12/17/92	1/4/93	\$51.45(+\$2.10)		12/11/92	1/1/93	\$51.45(+\$2.10)	
11/18/92	12/23/92	\$49.35(+\$2.75)		11/14/92	11/18/92	\$49.35(+\$2.75)	
		NC				NC	
		Branded Generics (85)	Branded Subgenerics (85)			Branded Generics (85)	Branded Subgenerics (85)
7/31/92	8/4/92	\$48.60(+\$10.50)	\$48.60(+\$2.50)	7/30/92	8/3/92	\$48.60(+\$10.50)	\$48.60(+\$2.50)
4/9/92	4/13/92	\$57.10(+\$4.00)	\$44.10(+\$4.00)	4/9/92	4/9/92	\$57.10(+\$4.00)	\$44.10(+\$4.00)
1/25/91	1/11/91	\$53.10(+\$2.75)	\$40.10(+\$4.00)	1/25/91	1/25/91	\$53.10(+\$2.75)	\$40.10(+\$2.75)
8/3/91	8/3/91	\$50.35(+\$4.00)	\$36.10(+\$4.00)	10/28/91	10/29/91	\$52.85(+\$2.50)	\$37.35(+\$1.25)
				6/4/91	6/10/91	\$50.35(+\$4.00)	\$36.10(+\$4.00)
		NC	NC			NC	NC
3/15/91	3/18/91	\$48.35(+\$2.60)	\$32.10(+\$3.00)	3/13/91	3/14/91	\$48.35(+\$2.60)	\$32.10(+\$3.00)
12/26/90	1/2/91	\$43.85(+\$0.10)	\$29.10(+\$0.10)	1/28/91	2/1/91	\$43.85(+\$0.10)	\$29.10(+\$0.10)
12/26/90	1/2/91	\$43.78(+\$2.00)	\$29.00(+\$2.00)	11/29/90	1/2/91	\$43.75(+\$2.00)	\$29.00(+\$2.00)
11/14/90	11/19/90	\$41.75(+\$2.60)	\$27.00(+\$2.50)	11/8/90	11/8/90	\$41.75(+\$2.50)	\$27.00(+\$2.50)
		NC	NC	10/18/90	10/18/90	NC	NC
5/18/90	5/18/90	\$39.25(+\$2.50)	\$24.50(+\$2.75)	5/31/90	6/1/90	\$39.25(+\$2.50)	\$24.50(+\$1.50)
	11/1/90	\$36.75	\$21.75		2/19/90	NC	\$23.00(+\$13.75)

Note: 100 mm styles are \$1.22 more per ml than 85mm styles.  
 Mega price reduced \$13 and Sterling reduced \$24.85

For introduction of Style 100  
 \*\*\* BAW reduced the price of GPC

53005 3101

PRICING HISTORY OF SAVINGS CATEGORY

LOR				L&M			
Notice Date	Effective Date	85/100		Notice Date	Effective Date	85/100	
1/14/00	1/17/00	\$99.20(+\$6.50)		1/17/00	1/17/00	\$99.20(+\$6.50)	
8/27/99	8/31/99	\$92.70(+\$9.00)		8/30/99	8/31/99	\$92.70(+\$9.00)	
11/23/98	11/24/98	\$83.70(+22.50)		11/24/98	12/2/98	\$83.70(+22.50)	
7/31/98	8/3/98	\$81.20(+33.00)		8/3/98	8/10/98	\$81.20(+33.00)	
5/8/98	5/11/98	\$58.20(+32.50)		5/11/98	5/18/98	\$58.20(+32.50)	
4/8/98	4/8/98	\$55.70(+32.50)		4/8/98	4/13/98	\$55.70(+32.50)	
1/23/98	1/26/98	\$53.20(+31.25)		1/24/98	2/2/98	\$53.20(+31.25)	
9/29/97	9/2/97	\$51.95(+33.50)		9/2/97	9/3/97	\$51.95(+33.50)	
3/21/97	3/24/97	\$48.45(+30.50)		3/21/97	3/24/97	\$48.45(+30.50)	
3/7/97	3/8/97	\$47.95(+32.00)		3/10/97	3/18/97	\$47.95(+32.00)	
4/9/96	4/10/96	\$45.95(+32.00)		4/9/96	4/29/96	\$45.95(+32.00)	
5/8/95	5/8/95	\$43.95(+31.50)		5/8/95	5/9/95	\$43.95(+31.50)	
11/10/93	11/10/93	\$42.45(+32.00)		11/9/93	11/15/93	\$42.45(+32.00)	
		NC				NC	
		NC				NC	
		NC		7/30/93	8/9/93	\$40.45(+33.25)	
7/29/93	8/9/93	\$40.45(+32.00)		7/27/93	8/9/93	\$53.70(+31.25)	
		NC				NC	
		NC				NC	
		Branded Savings (85)				Branded Savings (85)	
3/15/93	3/15/93	\$32.45(+31.00)		3/15/93	3/18/93	\$32.45(+31.00)	
12/18/92	1/4/93	\$31.45(+32.10)		12/19/92	1/4/93	\$31.45(+32.10)	
11/13/92	11/16/92	\$49.95(+32.75)		11/17/92	11/19/92	\$49.35(+32.75)	
		NC				NA	
		Branded Generics (85)	Branded Subgenerics (100)			Branded Generics (85)	Branded Subgenerics (85)
8/7/92	8/7/92	NC	\$47.85(+32.50)	8/4/92	8/5/92	NA	\$48.60(+32.50)
7/24/92	7/27/92	\$48.60(+30.50)	NC	4/8/92	4/7/92	NA	\$44.10(+34.00)
4/3/92	4/8/92	\$57.10(+34.00)	\$45.35(+34.00)			NC	NC
	1/7/91		\$41.35**				
10/28/91	10/29/91	\$53.10(+32.75)	NA	11/2/91	11/5/91	NA	\$40.10(+34.00)
5/24/91	5/24/91	\$50.35(+34.00)	NA	5/31/91	6/3/91	NA	\$36.10(+34.00)
3/18/91	3/18/91	\$46.35(+32.50)	NA	3/18/91	4/1/91	NA	\$32.10(+33.00)
2/5/91	2/11/91	\$43.85(+30.10)	NA	1/30/91	2/1/91	NA	\$29.10(+30.10)
		NC	NA			NA	NC
12/21/90	1/1/91	\$43.75(+32.00)	NA	11/12/90	1/2/91	NA	\$29.00(+32.00)
11/9/90	11/8/90	\$41.75(+32.50)	NA	11/12/90	11/14/90	NA	\$27.00(+32.50)
		NC	NA			NA	NC
5/11/90	5/14/90	\$39.25(+32.50)	NA	5/18/90	5/18/90	NA	\$24.50(+31.50)

Note: 100 mm styles cost \$1.25 more per M than 85 mm styles.

Magma price reduced \$13 and Sterling reduced \$24.65

For introduction of style 100

\*\* B/W reduced the price of GPC

53005 3102

3

## PRICING HISTORY OF GENERIC/PRIVATE LABEL CATEGORY

RLJR (FORSYTH)			PM (FAMOUS VALUE)		
Noice	Effective		Noice	Effective	
Date	Date	85/100	Date	Date	85/100
1/14/90	1/17/90	\$99.20(+\$.50)	1/14/90	1/17/90	\$99.20(+\$.50)
6/27/99	6/31/99	\$92.70(+\$.00)	6/27/99	6/30/99	\$92.70(+\$.00)
11/23/98	11/24/98	\$83.70(+22.50)	11/23/98	11/24/98	\$83.70(+22.50)
7/31/98	8/5/98	\$81.20(+\$.30)	7/31/98	8/3/98	\$81.20(+\$.30)
5/11/98	5/13/98	\$58.20(+\$.25)	5/8/98	5/11/98	\$58.20(+\$.25)
4/7/98	4/7/98	\$55.20(+\$.25)	4/3/98	4/8/98	\$55.70(+\$.50)
3/29/97	3/29/97	\$51.95(+\$.35)	1/23/98	1/23/98	\$51.95(+\$.35)
3/21/97	3/24/97	\$48.45(+\$.50)	8/29/97	9/2/97	\$51.95(+\$.35)
3/6/97	3/7/97	\$47.95(+\$.20)	3/20/97	3/24/97	\$48.45(+\$.25)
2/2/96	4/10/96	\$45.95(\$2.00)			NC
5/8/95	5/5/95	\$43.95(+1.50)	4/8/96	4/10/96	\$45.95(+\$.20)
11/8/93	11/8/93	\$42.45(+\$.20)	5/5/95	5/8/95	\$43.95(+\$.15)
		NC	*****	11/15/93	\$42.45(+\$.20)
		NC			NC
		NC			
8/4/93	8/5/93	\$40.45(-\$.75)	8/5/93	8/9/93	\$40.45(+\$.75)
			8/3/93	8/9/93	\$34.70(-\$.75)
		BS:			BS
		NC	7/21/93	8/9/93	\$40.45(+\$.125)
		NC	7/20/93	8/9/93	\$39.20(+\$.3)****
5/15/93	5/17/93	\$41.20(+\$.20)	5/7/93	5/11/93	\$41.20(+\$.20)
3/15/93	3/17/93	\$39.20(+\$.25)	3/12/93	3/15/93	\$39.20(+\$.25)
2/12/93	2/17/93	\$36.70(+\$.40)	2/17/93	2/22/93	\$36.70(+\$.40)
12/21/92	1/1/93	\$32.70(+\$.20)	12/15/92	1/4/93	\$32.70(+\$.20)
11/16/92	11/18/92	\$30.80(+\$.20)	11/13/92	11/18/92	\$30.80(+\$.20)
		NC			NC
10/8/92	10/12/92	\$28.60(+\$.20)	10/6/92	10/13/92	\$28.60(+\$.20)
		NC			NC
					Basic
1/30/92	2/3/92	\$26.60(-\$.50)	3/26/92	4/1/92	\$26.60(-\$.50)
12/16/91	12/23/91	\$31.60(+\$.25)	12/23/91	1/2/92	\$31.60(-\$.75)
		NC	10/30/91	1/2/92	\$34.35(+\$.40)
9/28/91	6/3/91	\$30.35(+1.55)	5/22/91	5/28/91	\$30.35(+\$.30)
3/13/91	3/18/91	\$28.80(+\$.20)	3/8/91	3/8/91	\$27.35(+\$.30)
12/21/90	1/2/91	\$26.80(+\$.20)	12/26/90	1/2/91	\$24.35(+\$.20)
11/8/90	11/8/90	\$24.75(+\$.30)	11/15/90	11/15/90	\$22.35(+\$.20)
7/5/90	7/5/90	\$21.75(+\$.25)	7/28/90	7/30/90	\$20.35(+\$.125)
		NC			NA
					NA
	1/1/90	\$19.25		1/1/90	\$19.10
					NA

**Note : 100 mm styles cost \$1.25 more than 85mm styles**

- **ATC introduction into low price category with Private Stock.**

•• Raleigh Extra reduced to GPC pricing.

--- GPC pricing from 1/90 to 10/91

~~cost~~ Net cost.

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PRICING HISTORY OF GENERIC/PRIVATE LABEL CATEGORY

ATC (AVA)			B&W(ATC/AVA)		
Notice	Effective		Notice	Effective	
Date	Date	85/100	Date	Date	85/100
		NA	1/14/00	1/18/00	\$85.95(\$0.00)
		NA	8/27/99	8/31/99	\$85.95(+\$9.00)
		NA	11/23/98	11/24/98	\$78.95(\$22.50)
		NA	8/1/98	8/4/98	\$54.45(+\$3.00)
		NA	5/9/96	5/12/98	\$51.45(+\$2.50)
		NA			\$49.95(+\$2.50)
		NA			\$45(+\$1.25)
		NA	6/20/97	6/24/97	\$50.20(+\$3.50)
		NA	3/20/97	3/24/97	\$46.70(+\$0.50)
		NA	3/13/97	3/17/97	\$46.20(+\$2.00)
		NA	4/9/96	4/11/96	\$44.20(\$2.00)
		NA	5/5/95	5/5/95	\$42.20(+\$1.50)
*****	11/22/93	\$40.70(+\$2.00)	*****	11/15/93	\$42.45(+\$2.00)
		NC			NC
		NC			NC
		NC			NC
7/28/93	8/9/93	\$38.70(+\$3.25)	7/28/93	8/9/93	\$40.45(+\$3.25)
		85			85
		NC			NC
		NC			NC
5/13/93	5/13/93	\$37.45(+\$0.75)	5/11/93	5/11/93	\$43.70(+\$2.00)
		NC			NC
2/18/93	2/18/93	\$38.70(+\$4.00)	2/18/93	2/18/93	\$41.70(+\$4.00)
12/11/92	1/4/93	\$32.70(+\$1.75)	12/11/92	1/1/93	\$37.70(+\$2.10)
11/24/92	11/30/92	\$30.60(+\$2.00)	11/14/92	11/18/92	\$35.60(+\$2.00)
11/11/92	11/16/92	\$28.60(+\$2.00)			NC
		NC	10/12/92	10/13/92	\$33.60(+\$2.00)
7/31/92	8/4/92	\$28.60	7/30/92	8/3/92	\$31.60(+\$5.50)**
		NA			NC
		NA			NC
		NA	10/26/91	10/28/91	\$31.60(+\$1.25)***
		NA	8/4/91	8/10/91	\$30.35(+\$1.25)
		NA	1/28/91	2/1/91	\$29.10(+\$0.10)
		NA	11/28/90	1/1/91	\$28.00(+\$2.00)
		NA	11/8/90	11/8/90	\$27.00(+\$2.50)
		NA	5/31/90	6/1/90	\$24.50(+\$1.50)
		NA	3/1/90	3/1/90	\$23.00(+\$13.75)
		NA		1/1/90	\$36.75
1 B&W stated list price as of 4/6/98 -- not sure when price structure chg'd.					

Note: 100 mm styles cost \$1.25 more than 85mm styles.  
 \* ATC introduction into low price category with Private Stock.  
 \*\* Raleigh Extra reduced to GPC pricing.  
 \*\*\* GPC pricing from 1/90 to 10/91.  
 \*\*\*\* Net cost.



PRICING HISTORY OF GENERIC/PRIVATE LABEL CATEGORY

LOR			L&M		
Notice	Effective		Notice	Effective	
Date	Date	85	Date	Date	85/100
		NC	1/17/00	1/17/00	\$99.20(+\$6.50)
		NC	8/30/99	8/31/99	\$92.70(+\$9.00)
		NC	11/24/98	12/2/98	\$83.70(+\$2.50)
		NC	8/3/98	8/10/98	\$61.20(+\$3.00)
		NC	5/11/98	5/18/98	\$58.20(+\$2.50)
		NC	4/6/98	4/13/98	
		NC	1/26/98		
		NC	9/2/97	9/3/97	\$51.90(+\$0.50)
		NC	3/21/97	3/24/97	\$48.45(+\$0.50)
		NC	3/10/97	3/18/97	\$47.95(+\$2.00)
		NC	4/9/96	4/29/96	\$45.95(+\$2.00)
		NC	?	?	\$43.95(+\$1.50)
		NC	11/9/93	11/15/93	\$42.45(+\$2.00)
		NC	7/30/93	8/9/93	\$40.45(+\$0.75)
					85
		NC			NC
		NC			NC
		NA			NC
		NA			NC
		NA			NC
		NA	5/26/93	5/26/93	\$41.20(+\$2.00)
		NA	3/15/93	3/18/93	\$39.20(+\$2.50)
		NA	2/18/93	2/19/93	\$38.70(+\$4.00)
		NA	1/2/93	1/4/93	\$32.70(+\$1.60)
		NA	11/17/92	11/19/92	\$31.10(+\$2.00)
		NA			NC
		NA	10/13/92	10/14/92	\$29.10(+\$0.85)
		NA			NC
		NA			NC
		NA	11/2/91	11/5/91	\$28.25(+\$1.25)
		NA	10/1/91	10/1/91	\$27.00(+\$5.10)
		NA	9/16/91	4/1/91	\$32.10(+\$3.00)
		NA	1/31/91	2/1/91	\$29.10(+\$0.10)
		NA	#####	1/2/90	\$29.00(+\$2.00)
		NA	#####	11/14/90	\$27.00(+\$2.50)
		NA	5/18/90	5/18/90	\$24.50(+\$1.50)
		NA	2/9/90	3/1/90	\$23.00(+\$13.25)
		NA		1/1/90	\$36.25

Note: 100 mm styles cost \$1.25 more than 85mm styles.  
 \* ATC introduction into low price category with Private Stock.  
 \*\* Raleigh Extra reduced to GPC pricing.  
 \*\*\* GPC pricing from 1/90 to 10/91.  
 \*\*\*\* Net cost.

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PRICING HISTORY OF VALUE 25'B

RJR			PM			B&W		
Notice	Effective		Notice	Effective		Notice	Effective	
Date	Date	85/100/120'S	Date	Date	85/100/120'S	Date	Date	85/100/120'S
1/14/00	1/17/00	\$90.36(+ \$5.20)	1/14/00	1/17/00	\$90.36(+ \$5.20)			NA
8/27/99	8/31/99	\$85.16(+ \$7.20)	8/27/99	8/30/99	\$85.16(+ \$7.20)			NA
11/23/98	11/24/98	\$77.96(+ \$18.00)	11/23/98	11/24/98	\$77.96(+ \$18.00)			NA
7/31/98	8/5/98	\$59.96(+ \$2.40)	7/31/98	8/3/98	\$59.96(+ \$2.40)			NA
5/11/98	5/13/98	\$57.56(+ \$2.00)	5/8/98	5/11/98	\$57.56(+ \$2.00)			NA
4/3/98	4/7/98	\$55.56(+ \$2.00)	4/3/98	4/6/98	\$55.56(+ \$2.00)			NA
1/23/98	1/26/98	\$53.56(+ \$1.00)	1/23/98	1/26/98	\$53.56(+ \$1.00)			NA
8/29/97	9/2/97	\$52.56(+ \$3.00)	8/29/97	9/2/97	\$52.56(+ \$3.00)			NA
3/21/97	3/24/97	\$49.56(+ \$4.40)	3/20/97	3/24/97	\$49.56(+ \$2.00)			NA
1-3-97	3/7/97	\$49.16(+ \$1.60)			NC			NA
4/8/96	4/10/96	\$47.56(+ \$1.60)	4/8/96	4/10/96	\$47.56(+ \$1.60)			NA
5/4/95	5/5/95	\$45.96(+ \$1.20)	5/5/95	5/9/95	\$45.96(+ \$1.20)			NA
11/18/93	11/8/93	\$44.76(+ \$1.56)	11/11/93	11/15/93	\$44.76(+ \$1.56)	11/12/93	11/15/93	\$44.73(+ \$1.55)
7/21/93	8/9/93	\$43.20(+ \$14.52)	7/21/93	8/9/93	\$43.20(+ \$1.20)	7/28/93	8/9/93	\$43.18(+ \$14.52)
		85			85			85
		NC	7/20/93	8/9/93	\$42.00(+ \$15.70)			NC
3/12/93	3/15/93	\$57.72(+ \$0.80)	3/12/93	3/15/93	\$57.70(+ \$0.80)	3/29/93	4/1/93	\$57.70(+ \$0.80)
12/11/92	1/1/93	\$56.92(+ \$1.68)	12/15/92	1/4/93	\$56.90(+ \$1.68)	12/11/92	1/1/93	\$56.90(+ \$1.68)
11/16/92	11/18/92	\$55.24(+ \$2.20)	11/13/92	11/16/92	\$55.22(+ \$2.20)	11/14/92	11/16/92	\$55.22(+ \$2.20)
7/23/92	7/27/92	\$53.04(+ \$2)	7/28/92	7/30/92	\$53.02(+ \$2)	7/30/92	8/3/92	\$53.02(+ \$2)
4/6/92	4/8/92	\$51.04(+ \$2.20)	4/2/92	4/6/92	\$51.02(+ \$2.20)	4/9/92	4/9/92	\$51.02(+ \$2.20)
10/24/91	10/28/91	\$48.84(+ \$2.20)	10/30/91	11/4/91	\$48.82(+ \$2.20)	10/26/91	10/29/91	\$48.82(+ \$2.20)
5/29/91	6/3/91	\$46.64(+ \$1.40)	5/22/91	5/28/91	\$46.62(+ \$1.40)	6/4/91	6/10/91	\$46.62(+ \$1.40)
3/13/91	4/1/91	\$45.24(+ \$0.60)	3/8/91	3/8/91	\$45.22(+ \$0.60)	3/19/91	3/22/91	\$45.22(+ \$0.60)
12/21/90	1/2/91	\$44.64(+ \$0.10)	2/14/91	2/18/91	\$44.62(+ \$0.10)	1/28/91	2/1/91	\$44.62(+ \$0.10)
11/8/90	11/8/90	\$42.92(+ \$2.00)	11/7/90	11/12/90	\$42.92(+ \$2.00)	11/8/90	11/8/90	\$42.92(+ \$2.00)
5/10/90	5/10/90	\$40.92(+ \$2.00)	5/7/90	5/21/90	\$40.92(+ \$2.00)	5/31/90	6/1/90	\$40.92(+ \$2.00)
11/21/89	11/21/89	\$38.92(+ \$2.00)	11/29/89	12/4/89	\$38.92(+ \$2.00)	12/5/90	12/5/90	\$38.92(+ \$2.00)